



**A family at war**  
The fight over  
the Wagner legacy  
Page 11

**The \$150bn question**  
Can chip producers  
satisfy demand?  
Page 12

**The lobster mountain**  
A year in the life  
of club class travel  
Page 8

**On their marks**  
US newspapers race  
to go online  
Page 10

# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY AUGUST 29 1994

DB533A

## Viacom poised to sell Madison Square Garden for \$1.1bn

US entertainment group Viacom was last night poised to sell its Madison Square Garden unit to cablevision and TTT for almost \$1.1bn. The bid by the Long Island-based cable company and the financial services and hotels group reportedly topped a \$1bn rival bid said to have been offered by Liberty Media, another cable company.

Viacom acquired MSG when it bought Paramount Communications for \$10bn earlier this year. It has since been trying to sell the unit - which includes the Manhattan arena and a cable television sports channel - to help offset the \$9bn debt it took on to pay for Paramount.

**T&N in talks with Metallgesellschaft:** UK engineering group T&N is believed to be talking to Metallgesellschaft about the potential acquisition of the troubled German giant's 47 per cent stake in vehicle components maker Kolbenschmidt. Page 16

**Balladur tops polls:** French prime minister Edouard Balladur has the highest approval rating of any French premier for 24 years, an opinion poll shows. Page 2

**Anglo-American Corporation:** South Africa's largest group, hopes to merge with a European foods company following its \$240m acquisition of Del Monte Foods International in 1992. If the European move goes ahead it will double DMPT's annual turnover to £1bn. Page 15

**Russia backs gold market plan:** The Russian government is encouraging plans to create a domestic securities market for gold bullion. The aim is to establish an internal price for gold and raise capital to develop the industry. Page 15

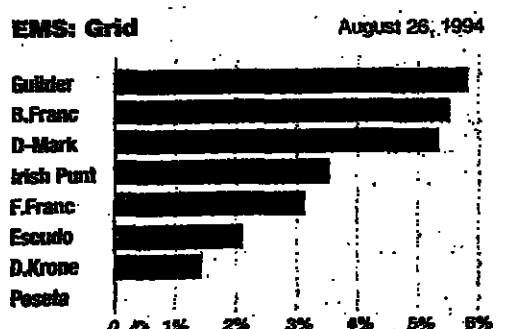
**Kohl hits the campaign trail:** German chancellor Helmut Kohl launched his campaign for October's general election, presenting himself and his Christian Democrats as the only guarantors of a secure future for Germany. Page 14; Kohl defence pledge, Page 2; Editorial Comment, Page 13

**Mandela told to rest:** South African president Nelson Mandela has been ordered to rest. He had a cataract operation last month and foreign minister Alfred Nzo said Mr Mandela needed to rest for his eye to heal properly.

**China accused over transplants:** International human rights group Human Rights Watch/Asia accused China of using organs from executed convicts for transplants without their consent and said some prisoners were kept alive until their organs had been removed.

**Morocco and Algeria tense:** Algeria closed its border with Morocco after Rabat said it would demand entry visas. Diplomats said the dispute was a fresh blow to hopes of uniting Algeria, Morocco, Libya, Tunisia and Mauritania into a common market.

**European Monetary System:** The Dutch guilder stayed on top of the EMS grid last week, while the Belgian franc caught up with the D-Mark. The Irish punt moved above the French franc and the Portuguese escudo kept its place despite a 50 basis point cut in interest rates on Friday. The spread between strongest and weakest currency shrunk slightly. Currencies, Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

**China launches satellite:** A Chinese rocket launched an Apsol-100 (US\$150m) Australian telecoms satellite into orbit. Twenty months earlier, a predecessor had been destroyed in a failed launch in China.

**Khmer hostages 'still alive':** Three western hostages - two Australians and one Briton - were alive and would be freed by their Khmer Rouge captors in south Cambodia if the government army stopped attacking their base, an official intermediary said.

**Egypt on the alert:** Egypt has tightened security at hotels and tourist sites after Muslim militants warned foreigners to stay away from a controversial UN population conference which is expected to attract 20,000 participants.

**Kenya sacks doctors:** Kenya's government said it had sacked most of 3,000 public-sector doctors who in June began a pay and conditions strike that has virtually closed state hospitals. Strike leader Givan Ateka said the dismissal was illegal and he would contest it.

**Kopek kaput:** The kopek, Russia's smallest denomination coin, is to be withdrawn. The coin, introduced in 1994 and now rendered worthless by inflation, is officially valued at 0.00000046.

**Schumacher disqualified:** Belgian Grand Prix officials disqualified Germany's Michael Schumacher because of a rule infringement, giving victory to Briton Damon Hill instead.

## China to slow reforms as Li Peng warns of unrest

By Tony Walker in Beijing

China applied the brakes to its programme of economic liberalisation at the weekend, with pledges of financial assistance for ailing state enterprises and calls for local government intervention to restrain prices.

Chinese newspapers gave prominent coverage to a speech in Beijing in which premier Li Peng warned of growing tensions

in society due to economic hardship and outlined a new strategy to deal with the problems of inflation and faltering state enterprises. The official China Daily newspaper reported that the government now intended to "rescue" a number of ailing state-run companies in 18 cities.

The apparent shift in sentiment reflects increasing official concern about the risk of social unrest among disaffected work-

ers who have either lost their jobs or are on reduced wages. About half of China's 10,000-11,000 large to medium state-owned enterprises are reportedly running at a loss, and perhaps as many as a third are virtually bankrupt. For much of this year the government has talked about driving hopeless cases into bankruptcy, but it appears to have backed away from this threat.

"A number of state-owned

enterprises are in difficulty and the real income of workers has dropped in enterprises with poor economic results," said Mr Li. "Without a strong and highly efficient body of state-owned enterprises, there would be no socialism with Chinese characteristics," he said.

Mr Li, in his speech to an enlarged state council, or cabinet, said fighting inflation would be the government's top priority

for the rest of this year. He urged localities to take "effective measures" to curb price rises, and to enforce a price freeze. The state council last week ordered the freeze on costs of services such as transport and electricity following publication of July inflation figures which showed that urban retail prices jumped 24.3 per cent compared with the same period last year. Beijing has also called for a

drive against food price rises, the main cause of the inflationary surge. Commodities are being released from government stockpiles to stabilise prices. "Prices have risen too fast and inflationary pressure is still too big," Mr Li said. "Basic facilities for agriculture are fragile, resulting in huge losses due to floods and drought."

Emerging investor, Page 19

## European interest rate policies attacked

Vice-chairman of Fed urges cuts to boost employment

By George Graham in Jackson Hole, Wyoming

European central banks should cut interest rates to reduce unemployment, Mr Alan Blinder, the vice-chairman of the Federal Reserve Board, urged at the weekend in a stinging attack on European monetary policy.

At a conference of central bankers in Jackson Hole, Wyoming, Mr Blinder, who was appointed to his post by President Bill Clinton, singled out European central banks for criticism.

"The job of a central bank is to push the employment rate up to its natural level, but no further. By that criterion, the US is, I believe, extremely close to on target, and the European Union is, I believe, quite far from on target," he said.

Mr Blinder's remarks sparked a clash with Mr Hans Tietmeyer, president of the German Bundesbank, who sharply rebutted the criticism. Mr Tietmeyer said: "I regard the unemployment in western Germany as very largely being a structural problem. Monetary policy cannot be expected to make an active and direct contribution to a lasting reduction in unemployment."

Mr Blinder's new colleagues at the Fed also appeared uncomfortable with the implication of a less than single-minded devotion to the battle against inflation. However, while arguing that central banks could do nothing to influence the unemployment rate over the long term, Mr Blinder maintained that the purpose of monetary policy should extend

beyond the need to reduce inflation. This position appeared to contradict remarks made on Friday by Mr Alan Greenspan, the Fed chairman, in a speech opening the conference, organised by the Federal Reserve Bank of Kansas City.

Although policymakers around the world agreed, said Mr Greenspan, that persistently high levels of unemployment were costly, "any tendency to seek a bit of macro policy relief by pushing on the outer limits of monetary policy, risks longer-term financial instability."

Mr Greenspan warned that delay between a monetary policy change and its impact upon the economy was so long that attempts to forecast the economic consequences of interest rate changes were probably doomed to failure. International monetary officials concurred that using unemployment as a target to guide interest rate policy was fraught with the danger of overheating the economy.

Mr Blinder's remarks may confirm fears of some financial market analysts worried that the Clinton administration might seek to tilt the Fed away from its hawkish line on inflation as seats on the Fed board fell vacant. However, any difference of opinion between the Clinton nominees and the Fed incumbents on the role of the central bank has not caused a rift over US monetary policy.

Mr Blinder, a Princeton University economist who served on the White House council of economic advisers before joining the Fed in June, believes the bank has done what was necessary to reduce unemployment in the US.



US marines search Cuban refugees at the Guantánamo Bay naval base after they were picked up from rafts on their way to Florida. Picture: Reuters

## Cuba and US agree to refugee talks

By James Harding in Washington

Cuba and the US are to hold talks on migration to address the Cuban refugee problem, the US announced at the weekend. However, the two countries will not discuss the Washington-imposed trade embargo on Cuba or the US presence at the Guantánamo Bay naval base in Cuba.

The talks, scheduled to take place in New York on Wednesday or Thursday, would "deal with issues related to the promotion of legal, orderly and safe migration," said Mr Michael McCurry, US State Department spokesman.

Mr Warren Christopher, US secretary of state, said yesterday: "We're going to talk with the Cubans on the one subject where we've got something to talk about, and that is migration. On other subjects, we really don't have very much to say to Castro."

President Fidel Castro last week called for comprehensive talks with the US administration. The US and Cuban governments have conducted periodic migration talks since 1994, covering issues such as hijacking, prevention of alien smuggling and the return of criminals. The

meeting this week is a resumption of those working-level discussions, State Department officials said.

Mr Castro followed the decision to discuss migration with an order, reported in Juventud Rebelde, the Havana newspaper, prohibiting the departure of unsafe boats and rafts carrying children.

The order may be interpreted as a tiny concession to the US, which has felt that the flood of Cuban refugees attempting to come to the US by boats or rafts in the last month has been made possible by Mr Castro's border

petrol turning a blind eye. Meanwhile, stormy weather in the Straits of Florida continued to deter Cubans from attempting the crossing. The coastguard picked up 130 people on Saturday, but had found no further refugees by midday yesterday. The dramatic fall in numbers comes at the end of a month that has seen 17,100 Cubans flee for the US.

Administration officials yesterday acknowledged that the weather had contributed to the drop in numbers but said it was also an indication that Cubans were beginning to understand

that they would not get into the US if they fled by boat. Cubans were getting better information about how to emigrate legally to the US, officials said.

Mr Christopher said he believed it was a positive sign that more than 200 refugees being detained at the Guantánamo Bay base had asked to be returned to Cuba in the past few days.

Although the White House last weekend said a blockade was not out of the question, Mr Peter Tarnoff, US deputy secretary of state, said: "We are not contemplating a blockade."

## Hopes rise of IRA ceasefire after Sinn Féin hints of peace

By Tim Coone in Dublin

Speculation that the IRA may be on the verge of calling a general ceasefire was mounting last night after Mr Gerry Adams, the president of Sinn Féin, the IRA's political wing, announced that the "essential ingredients" for an approach to peace "may now be available".

Mr Adams, in a joint communiqué issued in Northern Ireland with Mr John Hume, the leader of the nationalist Social Democratic Labour Party (SDLP), said that "significant progress" had been made towards the conditions necessary for a "peaceful and democratic accord". The statement, in which they said they were hopeful that the peace

process could be moved forward, came after a week of suggestions and hints that the IRA may be about to call an extended ceasefire in an attempt to put pressure on the British and Irish governments to make concessions over possible peace talks.

They warned that: "In any new situation there is a heavy onus on the British government to respond positively, both in terms of the demilitarisation of the situation and in assisting the search for an agreed Ireland by encouraging the process of national reconciliation."

There is growing expectation that an extended IRA ceasefire will be announced during this week. Although most unlikely to be a declaration of a permanent

end to the IRA's 25-year military campaign, there are hopes in that it could mark the first step in de-escalating the conflict.

London and Dublin would almost certainly react to an extended ceasefire by saying it did not amount to a permanent cessation of violence and so did not justify allowing republican leaders into political talks on Northern Ireland's future.

Whitehall officials have been particularly heartened by the hard line recently taken on this issue by Mr Dick Spring, the Irish foreign minister.

But an open-ended ceasefire would put the two governments under intense pressure to make

Continued on Page 14

# 7 1/2%\*

## A high income paid gross.

If you are disappointed by your Building Society's level of interest here is an attractive and low risk alternative. The Singer & Friedlander Global Bond Fund not only offers a 7 1/2% yield but it also pays it gross and offers the opportunity for capital growth as well.

**For further details Freecall 0500 626226**

TO: Singer & Friedlander Investment Funds Ltd., FREEPOST W65569, London EC2B 2SF. Please send me full details of the Singer & Friedlander Global Bond Fund.

FT 28.8.94

Name \_\_\_\_\_  
Address \_\_\_\_\_  
Postcode \_\_\_\_\_

**Singer & Friedlander**  
Investment Funds

\* Estimated gross annual yield. You should remember the value of Shares and the income from them may fall as well as rise and investors may not get back the amount originally invested. Past performance is not necessarily a guide to the future. Changes in exchange rates may also affect the value.

Issued by Singer & Friedlander Investment Funds Ltd, 21 New Street, London EC2N 4NR. Member of SIFAC.

CONTENTS									
Asia	S&P 500	Grain	D&S	Lot	LF&E	Qatar	OP&L	Oil	STI
Baltic	D&S 200	Hong Kong	H&S 100	Malta	Lot	S&P 500	S&P 500	S&P 500	S&P 500
Belgium	BF&S	Hungary	H&S 100	Monaco	MON	South Africa	SAF	South Africa	SAF
Bulgaria	BL&S 100	Ireland	IR&S 100	Norway	N&S 100	Spain	SP&S 100	Spain	SP&S 100
Cyprus	C&S 100	Italy	IT&S 100	Poland	P&S 100	Sweden	SE&S 100	Sweden	SE&S 100
Czech Rep	C&S 100	Israel	IS&S 100	Portugal	PT&S 100	Switzerland	SW&S 100	Switzerland	SW&S 100
Denmark	DK&S 100	Japan	JP&S 100	Russia	R&S 100	Taiwan	TA&S 100	Taiwan	TA&S 100
Egypt	EG&S 100	South Korea	SK&S 100	Turkey	TR&S 100	USA	US&S 100	USA	US&S 100
Finland	FI&S 100	Thailand	TH&S 100	West Germany	WG&S 100	Yemen	YE&S 100	Yemen	YE&S 100
France	FR&S 100	USA	US&S 100	Yemen	YE&S 100				
Germany	DE&S 100								



## NEWS: INTERNATIONAL

# Kohl pledge on defence spending

By Michael Lindemann in Bonn

Chancellor Helmut Kohl has assured anxious army commanders that years of defence cuts, which have dented morale and held up modernisation, have ended and that the armed forces budget will be increased slightly and will remain untouched over the next four years.

In an unusual secret meeting last Thursday with around 30 senior commanders of the Bundeswehr, the German armed forces, the chancellor promised that the military would receive DM47.9bn (£19.7bn) plus inflation over the next four years. This year's defence budget stood at DM47.5bn.

Further savings will also be available for new investments following a decision in July to shorten the length of military service from 12 months to 10 months and a planned reduction of the Bundeswehr to 340,000 men and women by the beginning of 1996.

The savings mean that 30 per cent of the defence budget will be given over to new investments, up from the present 22 per cent, a spokesman said.

The government initially released no details of the meeting with the army commanders so as to avoid the impression of a campaign stunt ahead of the October general elections, according to the Welt am Sonntag newspaper.

The armed forces' morale has been battered in recent years, with cuts in defence spending coming just as the Bundeswehr integrated with the 170,000-strong Nationale Volksarmee, the armed forces of the former East German state.

A report by the armed forces ombudsman in March said officers and soldiers were bewildered by the political confusion surrounding the future of the Bundeswehr and were having to shout "hang bang" on military exercises because there was no money for the blank ammunition which is usually used.

The mood in the Bundeswehr was not improved by numerous reports of confusion in the upper echelons of the defence ministry and criticism by many senior commanders of Mr Volker Rühle, the defence minister, over the management of the spending cuts.

A defence budget of DM47.9bn was first mooted during talks in July when the decision was made to shorten national service. In 1990, the last year before extraordinary savings were needed to fund German reunification, the defence budget stood at DM52.6bn.

Mr Kohl's decision gives the defence ministry a sum with which it can continue its strategic planning for the next four years, a defence ministry spokesman said yesterday.



Chancellor Helmut Kohl addresses party members in Dortmund yesterday

## Swedish opposition expects victory

By Hugh Carnegie in Stockholm

With less than three weeks before Sweden's general election, the opposition Social Democratic party is set for a decisive victory over the reformist coalition led by the prime minister, Mr Carl Bildt, according to opinion polls.

A poll published yesterday in the newspaper Svenska Dagbladet showed the Social Democrats strengthening their lead to 50.6 per cent compared to a similar poll in June, while the combined support for the four government parties slipped to 40 per cent from 49.8 per cent.

Two other nationwide polls in the past week showed a similar gap. The worst for the Social Democrats, in Dagens Nyheter on Friday, showed a small gain for the coalition, led by Mr Bildt's conservative Moderate party. But it still gave the Social Democrats 49.5 per cent support - enough to hold a majority in the Riksdag if repeated in the election on September 18.

The striking pattern in all the major polls has been the stability of the Social Democratic lead since the spring, with the party consistently polling around 50 per cent or just above.

This has defied the hopes of Mr Bildt, who expected a strong swing towards the government as the economy returned to growth after three years of recession. Instead, deepening concern over the public finances has created an atmosphere of economic crisis rather than recovery.

The Social Democrats have come under great pressure from financial markets, forcing them 10 days ago to detail a programme of tax cuts and savings to attack the budget deficit. But the electorate at large has so far apparently not shared the lack of confidence in the party's economic policies shown by the markets.

The growing expectation is that the Social Democrats - handed their worst defeat since the 1930s in the 1991 poll as the economy slid into recession - will bounce back into government, which they dominated for most of the past 50 years.

Mr Bildt is now desperately attempting to win back the initiative by reminding voters of the Social Democrats' past failures, their commitment to an overblown public sector and their preference for tax increases. But most voters seem to be concerned to preserve rather than reform the welfare state.

Such is the confidence of Mr Ingvar Carlsson, the Social Democratic leader and former prime minister, that he is retreating to the mountains for several days this week to plan for government. So far he has avoided Mr Bildt's challenge to meet him in a face-to-face television debate, perhaps the best chance left for the articulate prime minister to save his job.

## Brussels calls time for EU late-payers

Across Europe, recession has seen companies taking longer to pay suppliers, boosting their own cashflow at the expense of their business partners. And despite tentative economic recovery - and much plety about business ethics - late payment is a prop that companies are proving slow to relinquish.

The European Commission believes late payments are hindering the development of the single market and acting as a deterrent to cross-border trade. It argues in a draft recommendation, now with member governments for their comments, that businesses "hesitate to commit themselves to cross-border trade because they are worried about exaggerated payment periods, and it is widely believed that it is far more difficult to recover debts abroad than in the home country".

Mr Stan Mendham, head of the Forum of Private Business, representing 22,500 small businesses in the UK, argues that late-payers are also hindering recovery. "Our economies are being held back from growing out of recession, because people cannot get their bills paid on time," he says.

In an effort to ease the problem, the Commission is proposing, after several years of consultation with businesses across Europe, a package of measures which include:

- a statutory right to interest at commercial rates, and compensation, for late payment;
- a simplification and extension of court procedures to seek redress against late payment;
- a statement of payment terms on invoices;
- the disclosure in annual accounts of a company's payment policies and performance;
- allowing value added tax to be paid only on payments received.

One step short of a directive, a Commission recommendation does not require members' approval. Brussels can simply issue it, after consultation, on the basis that it should be acted on but is not legally binding. However, the recommendation is backed with the threat of a directive if it has brought no results within two years.

Whether such a threat could be carried through is uncertain. There is a large and vocal business lobby in favour of legislation to curb late payments, but it faces opposition.

Although the UK has the worst record for late payment within the EU, the British government is the firmest opponent of binding legislation. It recently concluded an extensive consultative process with British businesses, followed by a ministerial review on late payment policies. In May, it announced in its white paper on competitiveness that it would not be introducing statutory interest.

Pointing to fears that the measure could make matters worse for small companies - deemed to be at risk from late payments - it argued that larger companies would move to protect themselves from incurring interest charges by seeking longer credit periods. The result would be later payments from prompt customers as well as from the not so prompt.

Within the EU, contractual payment periods vary from an average of 30 days in Germany, through 30 days in the UK, to 60 days in France and longer in Italy. However, payments are an average 15 days overdue in Germany, 23 in the UK, 19 in France and 20 in Italy.

As a result of these late payments, invoices in the Union take an average of 66 days to be paid, with a quarter of businesses having to wait more than 90 days to be paid, says the Commission.

Whether punitive interest would lead to longer contractual payment periods would depend on the relative strengths of buyer and seller in negotiating terms. But, says Mr Bo Gerson, chief executive of Intrum Justitia, Europe's largest debt collection group, even if the result was longer agreed payment periods, companies would be dealing

## Jenny Luesby on an issue the Commission sees as impeding the single market

with greater certainty and could budget, or increase prices, accordingly.

But the UK government is concerned about the danger of over-regulation. It is also doubtful about the Commission's assertion that payment periods and late payments are deterring trade, describing it as an assumption that has yet to be borne out by research. Even if true, there is little evidence from EU members that introducing statutory interest improves payment performance, it says, pointing to the lack of improvement in France, which introduced binding legislation on late payments 18 months ago.

But campaigners for legislation argue that the introduction of statutory interest in Sweden, for example, in the mid-1970s has seen a fall in late payments to an average of just seven days.

UK Department of Trade and Industry officials also argue that shaming companies into improving their record through pushing them to publish details is impractical. There is ample scope for companies to hide poor records through a few large payments at the end of the accounting year, they say. And the introduction of the sort of "foolproof" sampling used to assess government departments' performance would increase auditing costs far beyond what could be justified by the gains.

The debate is muddled by the existence of a sizeable, if hidden, band of beneficiaries from late payments, enjoying free loans.

However, in opposing legislation, Britain will be doing battle twice - within the EU, and within its business community. The government says that while a majority of businesses it consulted favoured legislation, there was no consensus. The Commission, however, found during its consultations that businesses "think that the existing legal framework is not sufficiently dissuasive for bad payers". And last month, Intrum Justitia published a study showing that an overwhelming majority of businesses surveyed in the UK wanted statutory interest to combat late payments.

Even Britain's usually anti-regulatory Institute of Directors has come out in favour of legislation after pressure from its members, many of them small businesses vulnerable to late payers. They want action, they say, because their cash-flows and profits are suffering.

## Poles win easing of debt position

By Christopher Bobinski in Warsaw

More than 95 per cent of western commercial banks and other holders of \$13.2bn worth of Polish debt have agreed to a debt buy-back component in the country's debt reduction agreement, Mr Cezary Kolodko, the country's deputy premier and finance minister said at the weekend.

This means that the value of the debt reduction for Poland will increase to over 49 per cent from the 42-46 per cent originally mooted because more debt holders than expected have opted to sell back their paper to the Poles at 41 cents to the dollar.

Further details of the Brady-style arrangement - so-called after a 1989 initiative by the then US Treasury secretary Nicholas Brady - are due to be revealed today by Mr Krzysztof Krowacki, the chief negotiator of the deal which is to be signed on September 12.

As late as mid-July the Poles were still a few percentage points short of the 95 per cent threshold legally required for the buy-back to go ahead. Some debt holders had been refusing to go along with the agreement, believing the terms too generous.

Failure to cross the 95 per cent threshold would have meant that the Poles could have only gone ahead with exchanging debt for par bonds and discounts, which the deal values at 55 cents to the dollar and which have proved to be the most popular option chosen by the debt holders.

The agreement will initially cost the Poles over \$2bn, to be financed from foreign currency reserves and from loans from the International Monetary Fund and World Bank.

## Russian PM warns on debts

By John Thornhill in Moscow

Mr Victor Chernomyrdin, Russia's prime minister, has vowed the government will take a tough line on the problem of inter-enterprise debt, and he appeared to reject calls for the government to intervene with state funding.

In an interview with the Interfax news agency yesterday, Mr Chernomyrdin described debts between Russian companies as one of the most pressing issues facing the economy. But he indicated the government would not help ease the problem by injecting fresh credits into the economy.

Inter-enterprise debt has accumulated as companies have continued to supply each other with goods and services without securing payment. The failure of companies to pay their bills has led to a snowballing of the debt, paralysing the financial system.

Estimates put the total level of indebtedness at around Rb50,000m (£27bn at the market rate). The government has been under intense pressure from cash-starved companies to loosen its monetary policy and has partially relented by granting some cheap credits to the defence sector and heavy industry. But economists have

warned this will only stimulate another surge of inflation.

Mr Chernomyrdin said the government was working on a package of measures to force debtors to use their hard currency funds to pay their debts. He also hinted the government would introduce greater powers of disclosure to find out the true financial state of particular enterprises.

He even suggested some branches of the economy should introduce price freezes to help alleviate the debt burden, echoing the views of Mr Alexander Shokhin, the economy minister.

Mr Chernomyrdin said the

railway, coal, iron and steel industries had all reached an agreement not to raise their tariffs this year. "I think the next stage will be when they agree not to raise wages during the same period of time or, for instance, to keep them at the same level. This is a civilised market mechanism working all over the world. I think we will get used to applying it."

Mr Chernomyrdin said federal intervention to resolve a similar problem in 1992 had been a serious mistake. "Enterprises can carry out mutual reconciliation of debt at the regional level and within their branch of industry," he added.

## Kozyrev pressure on Serb leader

By Laura Silber in Belgrade

Mr Andrei Kozyrev, the Russian foreign minister, yesterday renewed efforts to further isolate the Bosnian Serbs by trying to persuade Serbian leaders to allow international supervision of their frontier with Bosnia in exchange for

the easing of sanctions.

At the same time - despite intense pressure from the international community and Serbia proper - a No-vote was expected at the close of a two-day Bosnian Serb referendum on an international peace plan that would divide Bosnia roughly in half.

Mr Kozyrev's mission to Belgrade is the first visit by a member of the so-called contact group of negotiating nations since President Slobodan Milosevic of Serbia announced a trade embargo against his former Bosnian Serb protégés for rejecting the plan.

Even in exchange for the easing of sanctions - most likely the opening of the airport in Belgrade and the lifting of a ban on international sports competition - Mr Milosevic so far has resisted the proposal to station international monitors on the border with Bosnia.

## French rate their prime minister highly

By Alice Rawsthorn in Paris

The presidential ambitions of Mr Edouard Balladur, the centre-right French prime minister, were boosted yesterday by an opinion poll showing him with the highest approval rating of any French premier for 24 years.

The poll, conducted by the IFOP research consultancy for the Journal du Dimanche newspaper, suggested that the proportion of the French public approving of Mr Balladur's performance had risen to 63 per

cent at the end of last week, from 58 per cent a month ago. This score gives the avuncular Mr Balladur the highest approval rating of any prime minister since Mr Jacques Chaban-Delmas hit 66 per cent in November 1970. Mr Chaban-Delmas, a centre-right reformer who was premier under Mr Georges Pompidou, saw his popularity soar during a period of frenetic growth.

Mr Balladur's stature has risen for different reasons. The French economy is still in a fragile state, although his

standing among the electorate has undoubtedly benefited from the recent stream of encouraging indicators. But the main factor behind his ascent is his success at playing the role of *facto* president during Mr François Mitterrand's recent illness.

Since undergoing prostate surgery last month, Mr Mitterrand has withdrawn from public life. His absence has left Mr Balladur in charge at a time when the political agenda has been dominated by foreign issues which would usually be

the preserve of the president such as the capture of the terrorist Carlos and the crises in Algeria and Rwanda.

Mr Balladur has thus been able to cast himself in a presidential mould. He has also been helped by the role played by Mr Charles Pasqua, his pugnacious interior minister, who has handled controversial issues such as the police crackdown on potential terrorists.

As a result Mr Balladur's popularity has soared well above that of Mr Jacques Chirac, the mayor of Paris who is

his chief competitor for the right-wing presidential ticket. "He is no longer prime minister, he is already a president," said the editorial of yesterday's *Journal du Dimanche*.

The presidential elections are only eight months away but Mr Balladur would do well to heed the fate of Mr Chaban-Delmas. He won his record approval rating on the eve of the first oil shock which sent the French economy into recession. His popularity plummeted, and, worse still, he was fired by Mr Pompidou.

## Immigrants fall victim to Greek-Albanian tensions

At 5.30am, 12 buses wound their way up a narrow mountain pass in northwest Greece to a small border post on the frontier with Albania on the last leg of a six-hour journey from Athens.

The early morning peace was shattered as nearly 1,000 tired and confused Albanians were led by policemen from the buses to a padlocked border gate. Watched over by the Greek army, they spilled through the six-foot opening and past a sleepy Albanian guard. By the end of the day, over a thousand more had made the crossing, bringing the number of Albanians expelled by Greece as illegal immigrants since August 15 to more than 20,000.

Most of the deportees have been rounded up in what is becoming one of the biggest purges of Albanian immigrants by the Greek authorities in modern times. It comes against a background of deteriorating relations between the two states which threatens to further destabilise the southern Balkans.

The deportees are mainly young

## James Whittington watches thousands of illegal workers, rounded up in Athens and bused to the frontier, herded back over the mountains at Kakavia

men who, like hundreds of thousands of others, had sought employment as cheap labour in Greece. Nearly all entered the country illegally trekking for days across the mountains that divide the two countries. With Albania's economy struggling to cast off the shackles of the former Communist regime, the money they send home has made an important contribution to the country's balance of payments. Last year, remittances from Albanians in Greece were around \$330m, compared to an estimated \$125m in visible exports.

Now they are being sent back, carrying few personal possessions and complaining that furniture, rent deposits and bank savings had all been left behind. Landlords and employers in Greece have been asked to hand over all Albanian immigrants for screening, and many more are expected to be deported.

Before he was picked up by the police, 29-year-old Kostanas had been living in Athens for four years and was soon to receive official residency papers. He worked as a labourer in a magazine depot and said he had been held in a detention camp for three days before being expelled.

"I knew that the police were searching for us but I thought I'd get away. This has ruined me. I have no job, no money and nowhere to go. All I can do is wait for the present problems to die down and then return to Greece," he said before hitch-hiking to Tirana, the Albanian capital.

Normally, the Greek authorities send only a hundred or so illegal immigrants back to Albania every week. But since the opening of a court case in Tirana in which five members from the country's Greek minority are being tried on charges

of possession of weapons and espionage, the numbers have increased dramatically.

The trial has ignited long-running tensions between the two countries and revived claims by Tirana that Greece has territorial designs on south Albania, and by Athens that Albania is persecuting its Greek minority. Greece has complained that the court case is a set-up and, besides the mass deportations, has blocked European Union aid to Albania worth Ec\$35m (£28m) in an attempt to have the trial stopped. It has also rejected Tirana's offer of talks and threatened to step-up its military presence in the area until the government's treatment of the minority improves.

No-one knows the size of Albania's Greek minority. The Albanians claim there are about 50,000, out of a population of 3.4m; the Greeks say there are up to 300,000.

Most live in the south in an area which Greece still calls North Epirus. They are Greek in all but nationality, speaking Greek rather than Albanian and practising Greek Orthodoxy rather than Islam, which is the country's dominant faith.

Under the Communist regime which collapsed between 1990 and 1991, the minority was repressed like the rest of the population. Religion was banned in 1967 and social progress was made only through the organs of the Communist party. Now, under a democratically elected government, they are demanding their own secondary schools and university education in Greek along with full representation in the police, military and civil service.

The Omonia political movement, which promotes their rights as a minority with funding from Greece, accuses the governing Democratic party of discrimination. Not only

have the Albanian authorities turned down all requests for new Greek schools, but they have forbidden the use of Greek in church services. The Athens government has jumped on this and warned it was preparing measures to protect the minority. "Greece is ready to defend all its interests and at the same time protect, with all its means, the Greeks in Albania," Mr Andreas Papandreu, the prime minister, said last week.

Quite how far Greece is willing to go to back this statement up is unknown. Today in Tirana, the prosecution is due to sum up its case against the five men, all of them members of Omonia. It is expected to accuse them of encouraging separatist designs for the Greek minority, possession of weapons, and receiving support and funds from the Greek intelligence services. A guilty verdict is expected at the end of the week.

In the meantime, bus loads of Albanians continue to arrive at border posts and nationalist tensions in the region continue to grow.

THE FINANCIAL TIMES  
Published by The Financial Times  
(Europe) GmbH, Nibelungenplatz 2,  
60318 Frankfurt am Main, Germany.  
Telephone +49 69 156 150. Fax +49  
69 3964481. Telex 416193. Registered  
in Frankfurt by J. Walter Brand, Wilm-  
helm J. Brand, Colin A. Kennard as  
Geschäftsführer and in London by  
David C.M. Bell and Alan C. Miller.  
Printer: DVM Druck-Vertrieb and Mar-  
keting GmbH, Adenau-Rosenstraße  
3a, 62363 Neu-Isenburg (owned by  
Hilbert International). ISSN: ISSN  
0174-7363. Responsible Editor: Richard  
Lambert. © The Financial Times Limited.  
Number One Southwark Bridge,  
London SE1 9PL, UK. Shareholders of  
the Financial Times (Europe) GmbH  
are: The Financial Times (Europe) Ltd,  
London and F.T. (Germany) Adver-  
tising Ltd, Wiesbaden. Shareholder of  
the Financial Times (Europe) Ltd are:  
The Financial Times Limited, Number One  
Southwark Bridge, London SE1 9PL.  
The Company is incorporated under the  
laws of England and Wales. Chairman:  
D.C.M. Bell.  
FINANCE: Publishing Director: D.  
Good. 168 Rue de la Vierge, 17704 Paris  
Cedex 01. Telephone (01) 4297-0621.  
Fax (01) 4297-0620. Printer: S.A. Nord  
Eclair, 1521 Rue de Caude, F-93106  
Roubaix Cedex 1. Editor: Richard Lam-  
bert. ISSN: ISSN 1148-2753. Commis-  
sion Paritaire No 6780BD.  
DENMARK: Financial Times (Scandi-  
navia) Ltd, Vindelbanvej 42A,  
DK-1161 Copenhagen K. Telephone 33  
13 44 41. Fax 33 93 53 35.

الرياض 29 أغسطس 1994



John Collins

Unemployment is mostly structural and therefore not their problem, George Graham hears in Jackson Hole, Wyoming

## Bankers gather to worship the new orthodoxy

Central bankers from 19 countries gathered this weekend at the invitation of the Federal Reserve Bank of Kansas City in the shadow of the Grand Teton mountains to discuss unemployment, and came away with a reassuring message: it is not their problem.

A bevy of academic economists agreed that most of the high unemployment rates in industrialised countries were attributable to structural factors - principally, the way the welfare state distorts an unemployed person's incentive to work - and not to the cyclical, demand factors which are within a central bank's power to influence.

Heads nodded piously in the audience as Professor Paul Krugman of Stanford University said that it was now all but universally accepted

among academic economists, though still suspect to politicians and journalists, that there was a "natural" rate of unemployment. A central bank could expand demand and push the actual rate of unemployment below this level, but only at the expense of accelerating inflation.

Professor Krugman argued that there was a technology-driven trend towards inequality that Europe's generous welfare systems turned into lower employment and the US's more flexible labour markets allowed to pass into widening income gaps.

Although Professor Charles Bean of the London School of Economics argued that a central bank could actually help to lower this natural rate by allowing a slight degree of additional inflation to accompany structural reforms, the overwhelming

view was that monetary policy could influence only the short term rate of unemployment; in the long run, unemployment would tend to converge on its natural rate.

"Where employment is concerned, in the short run, macroeconomics is everything; and in the long run, macroeconomics is nothing," concluded Mr Alan Blinder, once an academic economist himself but now the new vice-chairman of the Federal Reserve Board.

This is music to the ears of most central bankers, who have long been defending themselves against the accusation that they are buying lower inflation at the expense of higher unemployment.

"I am very happy with this general theme of the long run absence of any trade-off between inflation and unemployment," said one senior Fed

official. Another added: "Not only is there no unemployment/inflation trade-off, but there are positive gains for employment from a low inflation environment."

The natural unemployment rate theory has precise implications for US monetary policy, for although Fed officials are not as precise in their estimate of this rate as Professor Edmund Phelps of Columbia University - who estimates it at around 6.45 per cent in 1993 - they concur that it is very close to the current US unemployment rate of 6.1 per cent.

"Some people think we've passed it, some people think we have a little way to go. Very few people think we're very far from it," said Mr Blinder.

Some Fed governors say they are comfortable with the notion of a rate

of around 6.25 per cent. "I wouldn't quarrel with someone who said 6, but 5 is low and 7 is high," said one.

That implies that unemployment in the US has already shrunk to the point where any further decline could trigger pressure on wages and a rise in inflation, and so justifies the Fed's recent decision to raise interest rates - in the face of criticism from some Democratic members of Congress that this threatened to kill off the economic recovery prematurely.

For the Clinton administration, which is not anxious to see excessive tightening of monetary policy, the Fed's certainty about the level of the natural unemployment rate creates a difficulty. "Our problem in the administration

is to prevent anything rash and sudden, and hope that if we can prove over the next two or three years that you can keep unemployment in the low 6s without accelerating inflation, then we can argue convincingly that the natural rate is lower," one administration economist said.

For Europe, there is much less certainty over where the natural rate lies, although most agree that it has risen substantially in the last decade. Nevertheless, it appears evident to US economists and policymakers, though not to all of their European counterparts, that at least some of current unemployment in the European Union - perhaps 2 or 3 percentage points - is cyclical in nature, and that central banks could still do more to reduce unemployment by expanding demand.

### NEWS IN BRIEF

## Morocco and Algeria border shut in visa row

Stammering tension between Algeria and Morocco has erupted into a full-blown dispute over entry visas, with Algeria closing the border and newspapers on both sides trading insults, Reuter reports from Rabat.

Moroccan newspapers said Morocco's decision to demand entry visas following the killing of two Spanish tourists during an armed robbery in the lobby of a luxury Moroccan hotel was "legitimate self-defence". Algeria accused Morocco of victimising individual Algerians.

## Kenya sackings

Kenya's government said yesterday it had sacked most of the 3,000 public-sector doctors who began a strike in June that has virtually closed state hospitals, Reuter reports from Nairobi.

The letters gave doctors six weeks to appeal. Strike leader Givan Ateka said the dismissal was illegal and he would contest it in court. The doctors are on strike to press for registration of a union, higher salaries and housing allowances and improved health facilities.

## Nigeria arrests

The military administrator of Nigeria's oil-producing Rivers state announced the arrest of saboteurs who tried to blow up pipelines and flow stations, state radio reported yesterday. Reuter reports from Lagos. A strike by oilworkers aimed at forcing the military government out of office enters its ninth week today.

## Québec poll

Polls showed the separatist Parti Québécois under Mr Jacques Parizeau maintaining an overall 4-5 point lead two weeks before the September 12 Quebec elections, and a 20 point lead among the Province's majority Francophone voters, writes Robert Gibbons from Montreal.

## America's fast trains are a long time coming

It is now accepted that the private sector alone will not build high-speed railways, says Richard Tomkins

The US exists in a time warp when it comes to rail services. Chugging along at a maximum speed of 79 miles per hour, its passenger trains have been left behind by developments in rail technology. The Sunset Limited, a prestige transcontinental service, takes three days to hurtle from Los Angeles to Miami, averaging 42 mph.

Just for a while, it seemed that the US might be ready to take a leap into the high-speed era. In Texas, a private sector consortium planned to link the state's biggest cities with a 200 mph system based on France's train à grande vitesse. The consortium had a franchise from the state government and a detailed financing plan. But 10 days ago the project collapsed through lack of funds.

Is that the end of the American flirtation with high-speed rail? Possibly not. Increasing strains on road and air transport have led to a proliferation of ideas for high-speed and magnetic levitation rail

systems in the US. The difficulty is getting them off the drawing board.

The big problem any US rail project faces is that most Americans never take trains. Fuel is so cheap and car ownership so widespread that people use the roads for short-to-middle-distance journeys. Over longer distances, where rail cannot compete with air travel, they take the plane.

In Texas, the competition weighed even more heavily against the state's high-speed rail project because the cities it would have served - Dallas, San Antonio and Houston - were linked not only by good roads, but by Southwest Airlines, one of the lowest-cost airlines in the US.

Speeding up trains on existing lines might seem a cheaper solution but is not easily done. While US passenger trains are run by Amtrak, a public sector corporation, the rail tracks are owned by private sector freight railroads, so passenger trains have to jostle for space with

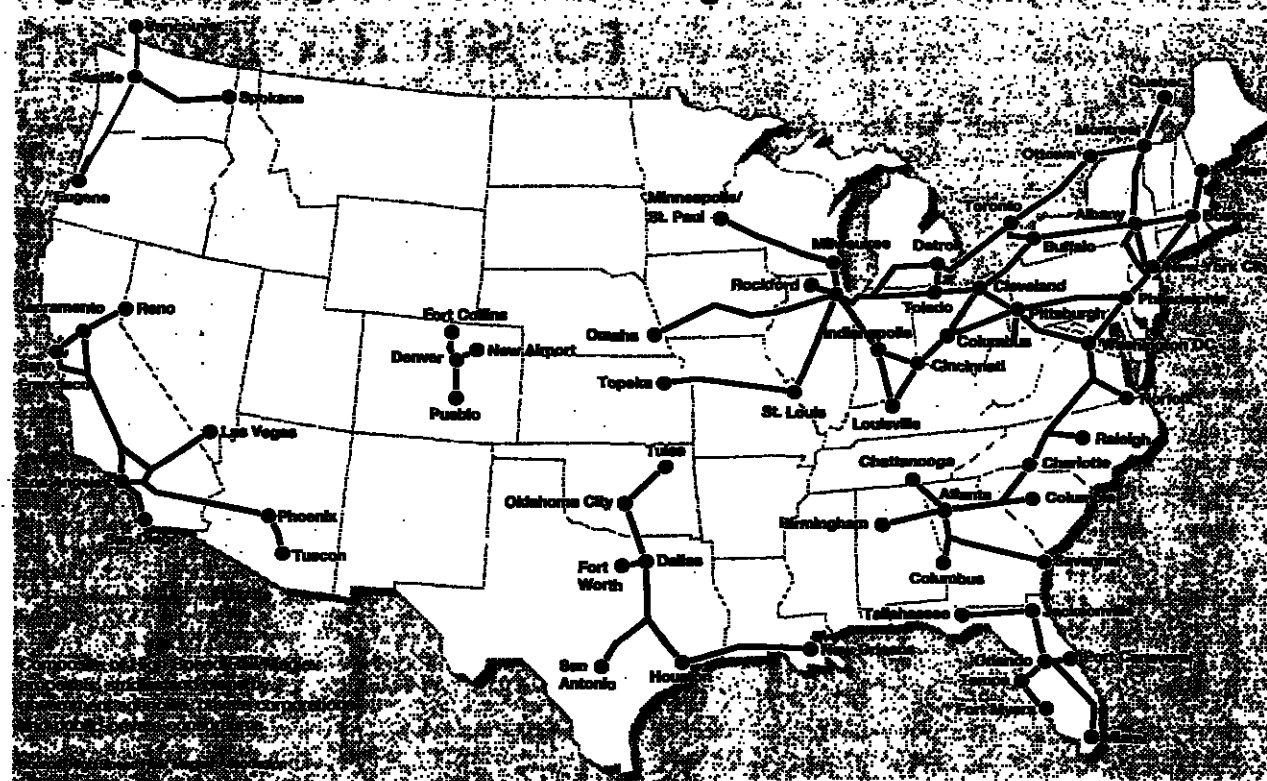
slow-moving freight trains. And even when there is no freight train ahead, passenger trains cannot exceed 79 mph because of the technical limitations of the signalling system.

A notable exception to this general rule is the north-east corridor between Washington, New York and Boston, where Amtrak runs the tracks as well as the trains. Here, it already runs the 125 mph Metroliner service. Soon, it plans to increase speeds to 150 mph by upgrading the tracks and buying new trains - possibly ones like Sweden's X2000 trains, which lean into bends.

In the rest of the US, however, entirely new rail systems will be needed. Paradoxically, these look more likely after the failure of the Texas project. This is because state and federal governments now accept that the private sector alone cannot build profitable high-speed railways.

The most promising scheme is in Florida, where the state government is preparing to

High speed railway lines on the US drawing board



invite bids for the construction of a high-speed system linking Tampa, Orlando and Miami. Unlike the government of Texas, which barred public sector involvement in its high-speed scheme, Florida's

government says it is prepared to pay up to 100 per cent of the construction costs and cover up to 50 per cent of any operating deficit, if that is what it takes to get the system built. Finding the cash, however, is

another matter. Florida's department of transportation says any state contribution would be subject to the availability of funds, and it doesn't have the money right now. And planning the project will

take so many years that, if the railway is built at all, it is unlikely to be until well into the next century. Like US passenger trains today, it seems, high-speed rail is going to be a long time coming.

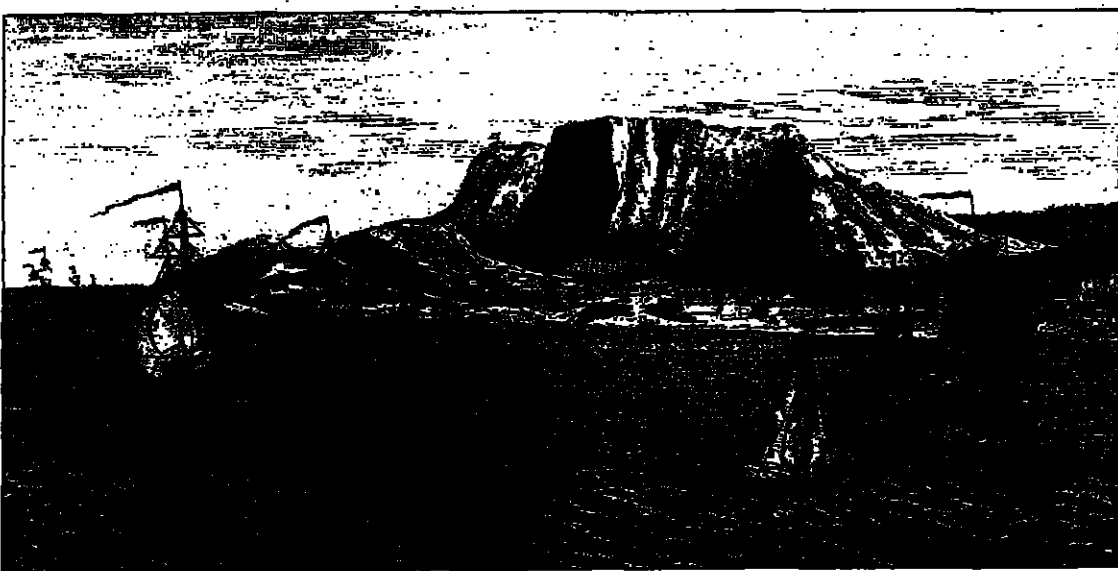
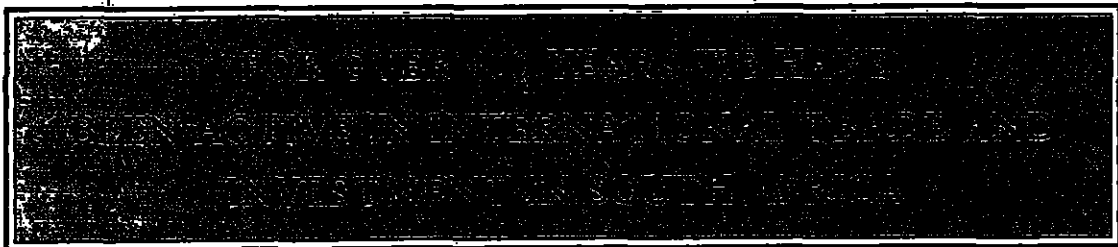


Table Mountain, South Africa, c. 1790

If you're considering doing business in, or moving to, South Africa - you should speak to one of the country's leading banks.

For more than 100 years Nedbank, the full-service banking member of the Nedcor Group, has been at the forefront of financial innovation, developing solutions based on a profound understanding of South Africa's position - locally and abroad.

Many of our successes have been achieved through enduring relationships, supported by a nationwide branch network with an extensive range of financial services and products.

These relationships have continued to thrive in a constantly changing environment.

For more information on a personal, corporate or international level, why not contact us. We have all you'll ever need.

London Representative Office: Mr F L. ... Tel: (071) 623-1877. Hong Kong Representative Office: Mr N Burton, Tel: (852) 223-9111. Beijing Representative Office: Mr R Lee, Tel: (86) 1-463-7939. Taipei Representative Office: Mr B Callaghan, Tel: (886) 2-719-8911. New York Representative Office: Mr M. F. ... Tel: (212) 723-6522. Frankfurt Representative Office: Mrs U Christmann, Tel: 49 (069) 729-747. Head Office (South Africa): Mr B McLeod, Tel: (011) 630-7111.

**NEDBANK**

A division of Nedcor Bank Ltd (JSE:NEB)

"No one is in a better position than Barlows to help build the new South Africa."

*Warren Clewlow*

Warren Clewlow, Chairman, Barlow Limited.

We stand at the dawn of the greatest change in our country's history. And as I look around at our group it seems

a challenging and exciting prospect. All of our companies are long-established leaders in their field across the country. We have the resources and facilities to help build a new nation.

Barlows Equipment Company through its long association with Caterpillar is well positioned to level the ground for infrastructural development.

No one is better equipped than PPC, the country's largest producer of cement, to provide solid foundations.

Federated-Blakie is the principal source of building materials.

Robor Industrial Holdings can also provide the steel tube and piping.

Whilst Plascon, one of the top paint suppliers in the world, will ensure

protection against the elements. Of course, Barlows Consumer Electric Products, the overall leader with brand names Kelvinator, Electrolux, Frigidaire and Goldstar, who promise to deliver all kinds of appliances for home convenience.

And Barlows Motor Investments, the country's second largest motor retail enterprise, will put a car outside the door.

From where I am sitting no other company in the region seems better placed to play a constructive role in South Africa's development and growth.



**Barlow Limited**

Barlow Limited, PO Box 782248, Sandton, 2146, South Africa. Tel +27-11-801-9111. Fax +27-11-444-3643

ORLBY & MATHER, HIGHTON SEARLE-TIPP & MANN 03441



## NEWS: INTERNATIONAL

## Call for end to Iraq sanctions

Jordan and Turkey yesterday called for an end to United Nations sanctions against Iraq and urged its return to the international fold, AP reports from Amman.

In a joint press conference, King Hussein and visiting Turkish President Suleyman Demirel also said that stability brought by an Arab-Israeli settlement would lead to an increased co-operation between their countries.

On Iraq, Mr Demirel said: "We do believe that the sanctions should be lifted as soon as possible and then Iraq should return to the international community."

"If Iraq continues to be isolated, its territorial integrity will be hard to maintain," he added at the end of a day of talks with King Hussein.

"Certainly, we hope that we will see Iraq once again taking a vital role in this region," said King Hussein, who was perceived as pro-Iraq because of his refusal to join a US-led coalition that expelled Iraq from Kuwait in 1991. The king advocated a diplomatic solution to the crisis.

In sharp contrast, Ankara gave solid support to the coalition. But economic and political interests have led Turkey to renew ties with Iraq.

Ankara is the only non-Arab member of the coalition to have reopened its embassy in Baghdad. Dozens of Turkish businessmen have visited Baghdad and signed trade contracts.

Turkey and Iraq also have agreed to prepare an oil pipeline to export Iraqi crude once the embargo against Iraq is lifted. Both countries are hoping to flush out 12m barrels of Iraqi crude stuck there after borders were closed during the Gulf crisis.

Mr Demirel said Ankara was negotiating with the UN some technical details, including who would receive the oil from the pipeline and how it could be sold off.

The president acknowledged that Turkish businessmen were making deals with the Iraqis, but emphasised that none of the contracts would be carried out until the sanctions were lifted.

Mr Demirel said Ankara, which is taking an increasingly influential role in the Middle East, was ready to take a share in regional development projects. He declined to elaborate.

Turkey is actively involved in regional peace discussions on energy, the environment, economic co-operation and water.

Jordanian officials say Turkey, which has abundant water resources, could contribute to resolving water problems in parched nations like Jordan.

## Reduction in ministerial spending and workforce planned

# Israel to cut spending and taxes

By David Horowitz  
in Jerusalem

The Israeli cabinet was late last night expected to approve a Shk128.7bn (£27.5bn) budget for 1995, the central components of which include about a third of the total for debt repayment, 20 per cent for police and security, and 11 per cent for education.

The budget provides for a reduction of almost Shk300m in ministerial spending, a 2 per cent cut in the government workforce - eliminating 630 full-time positions - and an average 1 per cent reduction in public sector pay.

There will also be a reduced allocation of funds for the absorption of immigrants from the former Soviet Union (achieved by revising the estimate of immigrant arrivals for 1995 to 70,000 from a previous 80,000 figure), a 3 per cent rise in the prices of public transport and a 7 per cent increase in water charges for agriculture and industry. Mr Avraham Shochat, the finance minister, intends to use some of the extra monies freed to help pay off debts owed by the kibbutz movement, to provide much-needed assistance to Israel's near-bankrupt Kupat Holim Clalit main health insurance

fund, and to boost the ailing military industry. Money is also budgeted to finance the redeployment of Israeli troops in the occupied territories, as anticipated in the coming phases of Israel's autonomy agreement with the Palestine Liberation Organisation.

The proposal features more than Shk2bn worth of tax cuts, including a reduced purchase tax on homes and lower taxes on electrical items.

A proposal to reduce government subsidies granted to companies investing in various designated development zones, strongly opposed by the Minis-

try of Trade and Industry, was not discussed at yesterday's cabinet session.

Instead, ministers will reconvene next week for another meeting devoted solely to economic issues. That meeting will focus mainly on means to halt rising prices, which are pushing inflation estimates for 1994 to 14 per cent and beyond.

While the budget was the main item of cabinet business yesterday, ministers also discussed the implications of Friday's murders in Ramle, central Israel, of two Jewish workers at a building site. The Hamas Islamic extremist group

on Saturday took responsibility for the attack, the first murder of Israeli civilians inside Israel since the Palestinian self-rule accord came into effect in May.

Prime Minister Yitzhak Rabin said Israel knew the identities of the murder suspects, and that he expected the co-operation of the Palestinian police force in tracking down the men. Israeli officials said this was regarded as a "test case," and that future phases of the peace deal might be put at risk if the Palestinians did not co-operate.

The PLO has condemned the murders.



US commerce secretary Ron Brown (centre) on the Great Wall of China with officials yesterday. He is the first US cabinet member to visit China since President Bill Clinton severed the link between China's human rights record and its trade status

## Saudi gems theft linked to saga of assassination

Diplomat has issued ultimatum and linked Thai killings to palace theft, reports William Barnes

It is an extraordinary tale of theft, assassination and corruption on a grand scale that has shrouded the reputation of the Thai police and caused a bitter diplomatic row between Saudi Arabia and Thailand.

In the latest twist to the five-year-old saga, Saudi Arabia said last week it believed the 1990 murders in Bangkok of three of its embassy staff and a Saudi businessman were linked to the theft of millions of dollars' worth of jewellery from a Saudi palace.

"They were all killed because they had information about the jewellery," Saudi chargé d'affaires Mohammed Said Khoja said last Friday, adding that detectives from his country had determined the link.

Mr Khoja, who directly accused Thai police of one of the killings, said he was due to discuss the issue with Thai Prime Minister Chuan Leekpai this week. "Frankly I am fed up and the government of Saudi Arabia cannot wait any longer," he said.

A Thai servant initially stole \$30m (£12.5m) worth of jewellery in 1989 from a Saudi palace where he was employed.

He fled back to Thailand and was arrested in early 1990 and later jailed. However much of the jewellery returned to Saudi Arabia was fake.

Shortly afterwards, the wife of the director-general of police, General Sawat Amornwivat, was pictured in the local press wearing a necklace remarkably similar to one of those stolen from the palace.

But as the recriminations flew hitmen started killing Saudi diplomats. Between 1989 and 1990 three diplomats were gunned down, apparently by professional killers.

As relations between Thailand and Saudi Arabia spiralled downwards, the Thai authorities claimed a number of contradictory and sometimes unlikely explanations for the murderous campaign.

Religious zealots, drug dealers, business conflicts, Mafia-style gangsters and terrorists joined the parade of suspects.

But Saudi unhappiness reached its nadir with the revelation that a businessman close to the Saudi Royal family, Mr Mohammed Al-Ruwaili, who disappeared after the murder of the diplomats, was probably abducted by a group of

Thai policemen.

The police officer who led the investigation into the murder of the diplomats, Lt Col Somkid Boonchaban, was later accused of Mr Al-Ruwaili's murder, but the case was dropped in September 1993.

The links between the three cases - the theft, the embassy murders and the abduction - remain obscure. No less than three parliamentary committees and two police committees were set up to look solely into the Saudi grievances. But even now, Thai inquiries have run into difficulties.

Mr Khoja, an urbane 60-year-old diplomat, was posted to Bangkok three-and-a-half years ago either to wrap up the murder and theft cases or to close down the embassy.

The Saudis have stopped issuing work permits to Thai nationals, at an estimated cost to the economy of up to \$1bn a year in lost remittances.

Under the prime minister Mr Chuan Leekpai and a respected new police chief, Gen Pratin Santiprapop, some progress has eventually been made. But Thailand is still a long way from repairing relations with Saudi Arabia.

## Stage set for Manila development fight

By José Galang in Manila

The stage is set for potentially the largest property development in the Philippines in a decade. It involves turning part of a former military camp on the east of the Philippine capital into a commercial and trading centre.

The 214-hectare property, part of Fort Bonifacio which

has been home to the Philippine Army since the 1940s, will become a "new Makati" (business district), according to the Bases Conversion Development Authority (BCDA), the state agency in charge of the project.

Five groups responded to a selection process for BCDA's "strategic partner" for Fort

Bonifacio's development. The process will culminate in bidding for the property next January.

From the five, a shorter list of qualifiers for the bidding will be known on September 9. Among the five is a consortium led by Ayala Land, the property arm of the widely diversified Ayala conglomerate which in the 1950s and 1960s pioneered the development of

Makati.

The Philippine subsidiary of the Hong Kong-based First

Pacific Group is co-lead investor, with Urban Bank. In another consortium that includes a number of big local property companies and banks.

A provident fund for military personnel, the AFP Retirement Separation and Benefits System, leads another group.

A predominantly Filipino group among the prospective bidders is the FII Estate/Fenta-Capital consortium led by FII Estate Group. Another Filipino-led group is JG Summit Holdings, which owns the Rob-

inson's chain of shopping malls in Manila.

Under current plans, BCDA will auction 55 per cent holdings in the Fort Bonifacio venture. Out of the property's 214 hectares, the partner will get 118 hectares.

At the bidding in January, the qualified groups will be asked to offer a per-square metre price for the parcel. At the minimum price of 10,000 pesos a square metre set by BCDA, the block will yield at least 11.8bn pesos (£290.3m).

## INTERNATIONAL PRESS REVIEW

# Sharif adds heat to nuclear row

PAKISTAN  
By Farhan Bokhari

Pakistanis love to talk about their country's controversial nuclear programme, even if the occasion is one where restraint or caution is advised.

Last week, an admission by Mr Nawaz Sharif, the former prime minister and the country's main opposition leader, that Pakistan had produced nuclear weapons, once again sparked a heated debate.

Politicians on both sides of the divide were concerned that on an issue which is as popular as the nuclear programme, they should neither be seen as weak or willing to compromise.

The government took the view that Mr Sharif's statement would threaten vital national interests, while the opposition in its defence argued that their leaders' "disclosure" had removed ambiguity surrounding the nuclear issue and would now deter India - Pakistan's arch enemy - from any "adventurous" moves.

The charges and counter-charges were enough to baffle many ordinary Pakistanis. But that could not be said about the Pakistani press, which by and large criticised Mr Sharif's move, making use of the latest opportunity to write extensively about one of its favourite topics.

"It's difficult to understand why the leader of the opposition, who is also a former Prime Minister, would take a position that could create seri-

ous difficulties for the country," declared the *Jang*, Pakistan's largest selling privately owned Urdu newspaper, which traditionally follows a liberal editorial policy.

The paper said that countries which are opposed to Pakistan's nuclear programme, would use the statement to

quite a stir in quarters that have traditionally been apprehensive of Pakistan's nuclear ambition, and it wouldn't be surprising if the bogey of 'Islamic bomb' is once again brought to the fore with renewed vigour."

While arguing that Pakistan has the sovereign right to



mobilise international opinion against Islamabad.

"In Pakistan, a statement full of gung ho words on the country's nuclear programme sells like hot cakes," explained *The News*, another liberal paper, adding that the opposition leader was playing to the domestic public gallery.

It suggested that Mr Sharif had probably not considered Pakistan's strategic concerns in making the statement. Rather, like all out-of-power politicians, this was an effort on his part to attract public attention.

*The Nation*, a right-of-centre conservative paper, also joined the criticism. "It goes without saying that by letting the cat out of the bag, he has created

determine the direction and the pace of its nuclear programme, the paper said the issue should not be dragged out in partisan politics.

Dawn - the country's largest selling liberal English newspaper, which has a large circulation among left-of-centre intellectuals, expressed similar views, but went at a greater length to discuss different aspects of the issue. "If there is anything in this country about which verbiage should be discouraged - even if it takes an act of parliament to do so - it is its nuclear programme."

The newspaper argued that it was best for the country to continue with its practice of maintaining a "nuclear ambivalence" because that leaves

## Business irked by orders from on high

Just over a year ago, when Japan's Liberal Democratic party lost its hold on government for the first time in 38 years, it seemed that the iron triangle between politicians, bureaucrats and business might crumble with it.

The new, younger government that succeeded the LDP raised the banner of reform and offered corporate Japan the hope, along with the fear, of less government and bureaucratic meddling in corporate affairs.

But just as Japanese business was beginning to enjoy the idea of freedom, the LDP is back in the seat of government and a ministerial mandate on employment practices at Japan Air Lines has dropped like a bomb to demonstrate that old practices do indeed die hard.

Earlier this month Mr Shizuka Kamel, an old-time LDP politician and current minister of transport, forced Japan Air Lines to reconsider plans to hire stewardesses on a short-term contract basis.

The plan, an attempt to cut costs, had already been approved by the very ministry Mr Kamel heads. Yet the minister put a halt to JAL's scheme, which other airlines had also been considering.

Mr Kamel cited safety concerns and the importance of lifetime employment, and suggested that such a move would upset Japan's much vaunted practice of harmony and equality in the workplace.

But business leaders, many of whom have expressed shock at Mr Kamel's handling of the affair, sense a more sinister motive. Japanese business executives have jumped on the minister's attempts to impose his views on what they believe should be a matter for private business to decide. The days of government meddling in business affairs, they fear, are far from over.

Mr Takeshi Nagano, chairman of the Nikkeiren, the Federation of Employers' Associations, criticised the minister's actions sharply, triggering an unusually vitriolic exchange of insults between the two.

The controversy is such that opposition parties are preparing to grill the government on the issue when the Diet reconvenes next month.

The degree of indignation expressed by normally discreet Japanese business leaders indicates that few of them accept Mr Kamel's argument that introducing contract workers into a team of full-time staff would upset team harmony and jeopardise aircraft safety.

For one thing, as JAL quietly points out, the Japanese airline has been employing foreign stewardesses on contracts at lower pay than Japanese staff for more than 20 years. Nobody has ever complained and a recent report by the Civil Aviation Council recommends cost-

cutting measures, including hiring of foreign - that is, lower paid - staff.

Secondly, if safety were a serious concern, as Mr Kamel suggests, would this affect Japan Air Lines, which has already hired contract stewardesses? But not a word of complaint has come from the transport ministry on that issue.

Neither is the sanctity of job security a convincing argument for business leaders, many painfully aware of the need to cut labour costs to remain competitive.

For a company like JAL to deny lifetime employment to its Japanese stewardesses, may come as a shock to the generations of women for whom the

Japan's 'iron triangle' has developed a jarring note, writes Michiyo Nakamoto

airline stewardess was the epitome of modern, high-flying, career woman.

Yet nobody in Japan would claim that lifetime employment was ever taken for granted other than at the largest companies. The majority of Japanese employees have no guarantees of lifetime employment.

Instead, many see the minister's actions as a relic of the bad old days when politicians and bureaucrats could more or less impose their will on businesses in return for protection and a lucrative contract.

As the opening up of Japan's markets to outside competition and the declining influence of the public sector have whittled away the benefits to business of this past relationship, government interference has become an inconvenience.

"The minister's actions go against the spirit of deregulation and of administrative reforms which are being implemented in October," said an official of Keidanren, Japan's most influential business organisation.

The high-handed approach of the transport minister is particularly unsettling to the Japanese business community, which has increasingly come to embrace the view that deregulation and freedom from the shackles of bureaucratic guidance are crucial to revitalising the country's economy.

Officials at telecommunications companies, for example, frequently complain that Japan's slow start in the race to build an information superhighway is largely the result of bureaucratic red tape that hinders growth of new businesses.

## Pakistan loan fraud probes

By Farhan Bokhari  
in Islamabad

The Pakistani government said at the weekend it had ordered investigations into the activities of officials at the country's two large public sector banks, following allegations that they were involved in fraudulent dealings related to loans worth up to \$21bn (£21.1m) made during the rule of former prime minister Mr Nawaz Sharif.

Senator M. Malik Qasim, chairman of the government's federal anti corruption committee (FACC) announced that Presidents of the Habib Bank - Pakistan's largest bank - and the National Bank of Pakistan, had been told to suspend officials who violated the rules in sanctioning loans under the populist "self-employment scheme".

The scheme, Mr Sharif's brain-child, was meant to provide unemployed youth with up to \$500,000 to set up small businesses. But officials say that in many cases the loans did not reach those they were designed for.

"In many cases, the loans were sanctioned to employed people and to those who were already running established businesses," said Mr Qasim. "We want to know if this was a deliberate attempt to keep many people out, to favour near and dear ones, or only a case of a poorly managed plan," said one official.

It is not yet clear, if the investigation will set back plans for privatising large banks.



If the rainforests are being destroyed at the rate of thousands of trees a minute, how can planting just a handful of seedlings make a difference?

A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villages of Manguza, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The *Mankama* trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced. These tree nurseries are just part of the work we do with the people of the tropical forests.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

Unless help is given, soil is exhausted very quickly by slash and burn farming methods.

New traces of tropical forest would then have to be cleared every two or three years.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Paz, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world.

The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



WWF World Wide Fund For Nature  
Barnes, West Middlesex

International Secretariat, 1196 Gland, Switzerland.

FOR THE SAKE OF THE CHILDREN  
WE GAVE THEM A NURSERY.

مركز الامم



# Row as PowerGen weighs US listing

By Roland Rudd

British government ministers are angry with PowerGen, the electricity generator, for threatening to break ranks over the £4bn sale of the government's remaining shares in the generators.

The Treasury plans to co-ordinate the sale of its shares in the two generators, PowerGen and National Power, by publishing a prospectus early next year. This will link the sale of the two companies by requiring the public to buy shares in both.

PowerGen, which has outperformed National Power on the UK stock market, is considering seeking a US listing months ahead of the planned prospectus.

The Treasury is concerned that information on regulatory structure developments facing the companies may have to be published ahead of schedule, tying its hands and making it harder for it to control events.

PowerGen's US investors account for 7.5 per cent of its shareholding compared with National Power's 5 per cent. The generator said: "The timing of the US listing is not critical but we would prefer to see it in place a little ahead of the sale [of the government's remaining shares] to avoid unnecessary complication."

PowerGen has told the Treasury that it is "seriously considering" a US listing in November. National Power has made it clear that it has no intention of following PowerGen and instead plans to wait until next year.

The government expects to start marketing the sale in mid January with a prospectus following about a month to six weeks later.

Shares would be issued either in late February or early March. Both generators hope to increase their American shareholding by listing their shares on the New York Stock Exchange.

Ministers wanted the generators to list their shares in the US simultaneously with the issuing of all the remaining government shares next year. It sold 60 per cent of each company when they were privatised three years ago.

Both companies already have US shareholders who buy shares through American Depository Receipts on Wall

Street but some big US institutions are more likely to buy shares if the generators are listed on the New York Stock Exchange.

Since the public will be required to buy shares in both companies, as in the March 1991 flotation, when 60 per cent of the shares were sold, the government wants to co-ordinate the marketing of the shares.

Institutional shareholders will be expected to be given the choice of splitting their investment between PowerGen and National Power.

PowerGen, however, may not prove susceptible to ministerial pressure to delay its US listing. It has shown itself to be individually minded, and quick to spot and take opportunities, such as building gas-fired power stations.

## Britain in brief



## Labour steps up pressure over Archer

Mr Robin Cook, the shadow trade and industry secretary, will today step up pressure on the government to publish the Department of Trade and Industry report into allegations of insider dealing involving Lord Archer, the bestselling author and former Conservative party deputy chairman.

Mr Cook is expected to write to Mr Michael Heseltine, the trade and industry secretary, asking him to confirm that there would be no "legal barrier" to publication of the report if Lord Archer agreed to it being published.

Mr Cook said last night that since Lord Archer had stated publicly that the report "exonerated" him, the best-selling novelist should have no difficulty in giving such permission.

The DTI has never said whether Lord Archer was exonerated. It has only said only that no further action would be taken against him, following advice from "independent counsel".

The DTI has maintained that it is a "criminal offence" to publish reports into alleged insider trading under of the Financial Services Act. Lawyers confirm however that publication is possible if the main protagonists in the affair give their permission.

main plant, which is working for nine shifts every five-day week.

Perkins, owned by Varity Corporation of Buffalo, New York, recently reported sales in the three months to July of \$197m (£127m), 15 per cent higher than in the same period last year.

Demand for diesel engines has recovered in the UK and the US, but remains fragile in continental Europe. Sales from Perkins are largely to manufacturers of construction, electrical and agricultural equipment, whose growing orders are a response to the level of capital investment.

The other large diesel engine manufacturer in the UK is Cummins, also US-owned, whose main plant is in Darlington. Its strength is in the on-highway vehicle market.

glass-making plant near Blackburn.

Mr Wim de Kleuver, chief executive of Philips Components, said yesterday that after comprehensive and often painful reorganisation, Philips UK manufacturing plants were as cost effective as any in Europe. Several were world-class with a performance equal to that of the best Asian producers.

Philips Components, with the company's semiconductor activities, represents about 12 per cent of the group's £158.8bn (£21.7bn) turnover. About 70 per cent of the division's production is sold to customers outside Philips.

## Backing for MPs' pay rise

The government moved yesterday to defend plans to raise MPs' salaries by more than twice the rate of inflation amid fears that the increase could undermine its case for public-sector pay restraint.

As union leaders and others lined up to attack the 4.7 per cent increase, Mr Tony Newton, the leader of the House of Commons - the government's business manager - denied that the government had broken its own guidelines on public sector pay.

Mr Newton said that over a three-year period, MPs would have been treated in "precisely the same way as . . . the civil servants with whom their pay has been linked for many years."

He added: "I don't think that any fair-minded person who looked at the position on this over a three-year period . . . would regard this as either unreasonable or a breach of pay policy."

But the increase - well above the 2.3 per cent rise in the retail prices index in the year to July - was widely criticised by trade union leaders.

The raise, which will take effect from January, will take an MP's basic salary from £31,687 a year to £33,163. The 4.7 per cent figure comprises 2.7 per cent which MPs were already in line to receive as the second part of a two-stage pay settlement and an additional 2 per cent to bring them into line with middle-ranking civil servants with whom their salaries have been linked.

## Government scorns call over National Grid

By Roland Rudd

The government has rejected calls from its backbenchers to take a share of the profits from next year's sale or demerger of the National Grid.

The electricity transmission company is owned by the 12 regional electricity companies (Recs) of England and Wales which were given it when they were privatised in 1989.

The government owns a golden share in the National Grid which allows it to demand a share of the profits when it is sold or demerged next spring. Some Tory MPs have urged ministers to use the golden share to extract up to £2m for the Treasury.

However, in move which will further boost the electricity companies' profitability, the Treasury has rejected the calls. It argues it would be an improper use of its golden share which it says was only intended to prevent foreign ownership of the grid.

While ministers are privately angry with the large salaries and share options awarded to electricity company bosses they do not believe the government should intervene in the

running of a private industry.

The government's decision has infuriated some of its own backbenchers as well as provoking criticism from the opposition Labour party. Mr Robin Cook, shadow trade and industry secretary said: "I see no reason why the Recs should milk a fortune out of the National Grid that was built by the nation and not by them."

Mr Nicholas Winterton, Conservative MP for Macclesfield, warned voters were losing patience with the privatised utilities. "For the government to hand over the National Grid, lock stock and barrel to shareholders of the electricity companies is hardly popular capitalism," he said.

Electricity analysts believe the National Grid, which made pre-tax profits of £580 million last year, could be sold for as much as £5bn, compared with the Rec's combined market worth of around £15bn.

While there could be a tax payment of up to £1bn in the event of a capital gains tax if the Grid was floated, analysts believe there are ways of avoiding tax.

See Lex

## Authorities trying to dig themselves a bigger hole

David Owen on a space shortage that has become of grave concern

The British government is under growing pressure to empower local authorities to disinter human remains and re-use graves as part of a national strategy to cope with the shortage of space in Britain's cemeteries.

Under proposals drawn up by the Institute of Burial and Cremation Administration, authorities would be allowed to make room for new bodies in old graves by placing the original occupants' remains in new caskets and burying them deeper in the ground.

Authorities would be able to do this on plots where 75 years had elapsed since the last interment.

Living relatives would retain the right to renew their family's rights over the site for a further 75 years.

The IBCA, an organisation representing those responsible for managing the country's cemeteries and crematoria, plans to oversee research later this year to assess the public's response to its proposals. The practice of re-using graves is common throughout Europe and in Australia.

If the results are satisfactory, it expects to submit its plan to the government next year.

It is not clear how ministers would react, but the idea has not been ruled out.

Questioned recently by Mr Tam Dalyell, Labour MP for

Linlithgow, Mr Allan Stewart, Scottish office minister, said: "The re-use of graves would involve the disturbance of remains, which would be unacceptable to many people; and the implications would need careful and sensitive consideration."

According to Mr Ian Hussein, the IBCA national secretary, the issue of re-using graves is one ministers will have to face up to sooner or later because of a worsening problem with burial space in London and other major cities.

He says there are already three London boroughs which are unable to provide new graves.

Considerably more will run out of space over the next 35 years - a period in which he says Britain's annual death rate is projected to rise from about 650,000 to nearer 850,000.

He says the proportion of people choosing burial as opposed to cremation or other methods has levelled off at about 30 per cent after falling for many years.

The IBCA proposals are designed to overcome a number of problems associated with cemeteries becoming full. If a cemetery stops staging

new burials, for example, it loses its primary source of income. In addition, the less frequently old cemeteries are visited, the more they tend to become vulnerable to vandalism and dereliction.

Mr Hussein says that local authority cemeteries in England and Wales already run at an annual \$80m deficit - which is funded ultimately out of local taxation.

According to Mr Hussein, it is relatively common practice for authorities to re-use public or paupers graves without disturbing their original occupants by burying new bodies at a shallower level.

He says London authorities also have the right to re-use suitable private graves in this way where the last interment was more than 75 years ago and families have not renewed their rights over the site. The practice is known in the profession as "semi-re-use."

But Mr Hussein says that disturbing remains to re-use the grave is currently not permitted without explicit authority. Indeed he says it is generally easier to secure permission to disturb remains for virtually any other purpose than to re-use the grave.



Probably the best beer in the world.



## MANAGEMENT

**B**roken Hill Proprietary's presentation to shareholders in Sydney could have been taken from a modern marketing manager's manual. Held in a giant auditorium, it had overhead slides, bold graphics and plenty of razzamatazz. Then, as the meeting was thrown open to questions, a gentleman in the audience rose to his feet. "I can remember when you were running the Newcastle [Australia] steel-works in the 1970s..." he told Brian Lorton, BHP's chairman, as he launched into a long reminiscence. The BHP executive, half-charmed and half-embarrassed, listened patiently, before quickly steering the meeting back to business.

The incident last year, although trivial, seemed to sum up the dichotomy which surrounds the Australian resources group. On the one hand, it runs an A\$30bn (\$14.2bn) portfolio of businesses worldwide, ranging from coal mines in Indonesia to oil rigs in the Irish Sea. A fifth of its shares are held internationally and in key divisions — such as petroleum — much of the staff and management are outside its home country.

On the other hand the tug of BHP's roots is also strong — and not always entirely welcome. There is, for example, a peculiarly Australian share structure, which has BHP owning half of another company which in turn owns almost 30 per cent of BHP. There is a A\$2.5bn investment in Fosters, the Melbourne-based brewing group, which is carried in the books at significantly more than its current market value and has nothing to do with BHP's core operations. "It's a big credibility question," says one analyst.

In addition, although overseas interests are growing by leaps and bounds, the fact remains that the bulk of BHP's money is still made in its home country. About 70 per cent of group assets are held there. There is nothing unusual about a formerly domestic company reaching a point where its growing international interests create a string of dilemmas over expansion and diversification strategy, and over organisation structure. But BHP's case is interesting for two reasons.

First, the company is curiously bound up with Australia's national psyche. "For 50 years, BHP has held a dominance in Australian economic life such as no company, to my knowledge, had ever exercised over the US economy," Geoffrey Blainey, a historian, has commented. Even now, the company accounts for 1.5 per cent of the country's gross domestic product, and is frequently referred to as the "Big Australian".

This status adds quite significantly to management responsibility. "We are always being asked to do this or that nationally by industry organisations, and government," says John Prescott, managing director. "It's usually far more than we can handle. We try to speak when asked."

That, however, does not mean that the group escapes criticism for not doing more. Some mining industry players, for example, wondered whether BHP should have taken the lead more forcibly during last year's debate over Australia's Native Title legislation and the issue of Aboriginal land rights.

Second, BHP is the only Australian company that can fairly claim country's number of public holidays is a simple index of its economic success? So I looked up the economic dragons of the Pacific Rim — Hong Kong and South Korea have as many as 18, Japan 14. Even Germany appears to have one of the highest numbers in Europe. It seems there is a link, but opposite to my theory. Could it be that the hard-working citizens of the Pacific Rim need to rest more often because of their long-hours of toil? Or perhaps they simply need more time to spend their yen.

The sight of a male colleague dousing himself with an expensive cologne rather surprised me recently. Had he, I wondered, been influenced by research that has indeed shown there is a sweet smell of success?

In an American study conducted in the 1980s by a social psychologist, a woman was interviewed for a job by a number of interviewers. It

## Broken Hill Proprietary

Assets by region 1992-93  
(Total: A\$ 26.23bn)

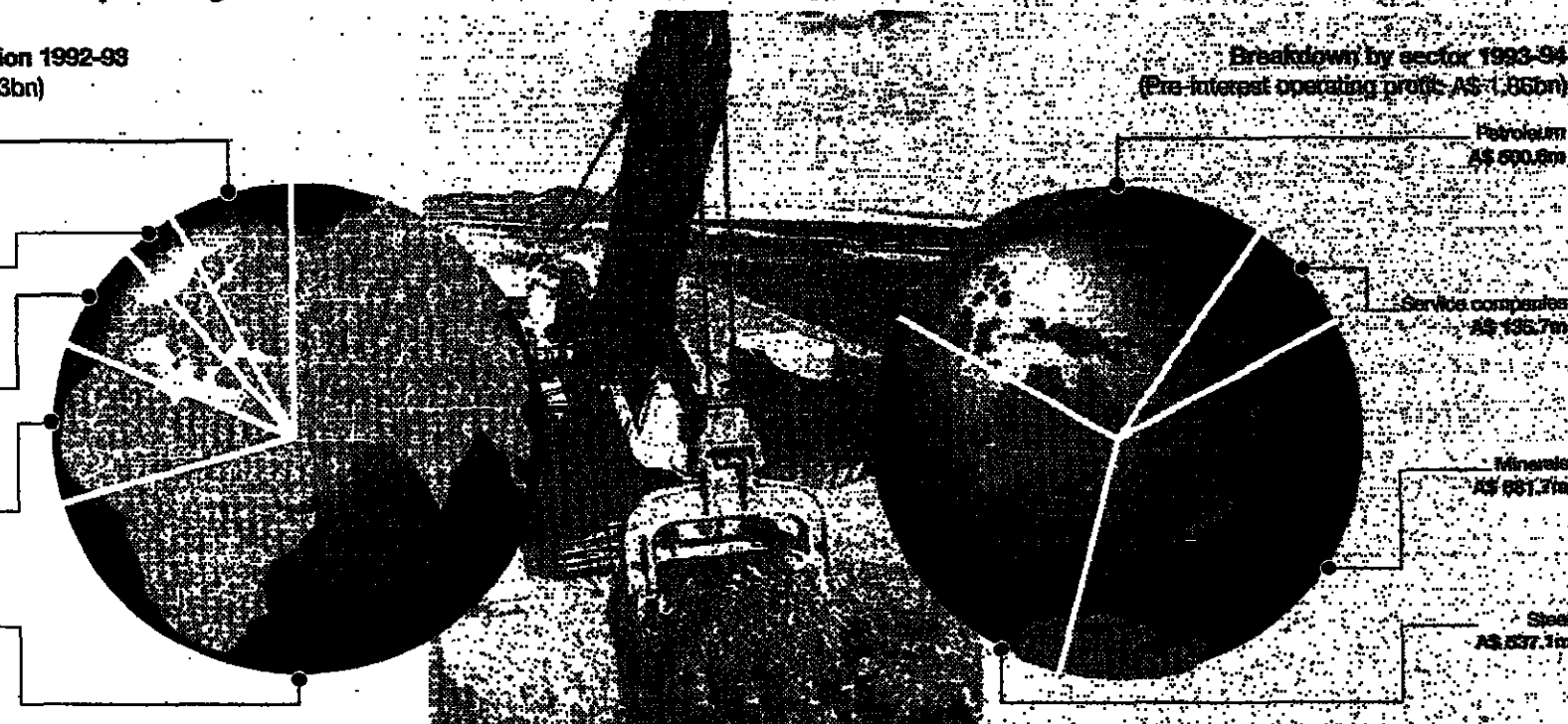
Other countries  
A\$ 2.06bn

South America  
A\$ 0.97bn

UK  
A\$ 1.86bn

North America  
A\$ 2.76bn

Australia  
A\$ 18.58bn



## Digging deeper and wider

BHP is moving further afield but it will not forget its Australian roots, writes Nikki Tait

to be making a "global" leap at present. Other groups of comparable size and status include News International, the media company, and National Australia Bank. But the former remains the personal fief of Rupert Murdoch, while NAB operates only in the Australian, Irish and UK markets.

BHP admits that being out on this sort of limb brings unique pressures. The company, says Prescott, has used management consultants "sometimes for extended periods, particularly to help us overcome the isolation of BHP in Australia, to understand what the rest of the world is doing by way of best practice".

Most of BHP's development outside Australia has occurred during the past decade. During the first four years of this period the company's management was also wrestling with rival takeover attempts from Robert Holmes à Court's Bell Resources and John Elliott's Elders DXL.

Peace was finally bought in 1988, although the price is still evident in the controversial Fosters holding and the circular share structure. In spite of belated changes made to this last week, it could still provide takeover and management protection and hence could retard share price performance.

All the same, many observers believe in retrospect that the long and complex struggle with the two entrepreneurs also brought benefits — forcing BHP to take a more aggressive management approach and shaking up a complacent bureaucracy.

Whether or not this is an accurate assessment, the tussle did coincide with a sharply increased international focus at the resources group. In 1982, BHP's sales from operations outside Australia were just A\$87m. By 1992-93, helped by a mixture of

acquisitions, investments and exploration work, they had grown to more than A\$5bn.

Even today, however, the extent to which BHP has "globalised" its operations varies markedly between divisions. The company has four main operating areas: steel, minerals, petroleum and "services", which includes a range of businesses from shipping to engineering consultancy. This structure was put in place in 1985, although there have been refinements since. "The broad thrust is to organise on product lines — generally based on worldwide groupings of products," says Prescott.

The petroleum division, which includes Hamilton Oil, is generally

In financial terms, BHP's structure and its range of interests has served shareholders quite well recently — in contrast to the performance a decade ago — and most pundits acknowledge that the spread of interests and their slightly different business cycles are advantageous.

Earnings dipped in 1991-92, but have since risen steadily. In the latest 12 months, to end-May, operating profit after interest rose by almost 30 per cent, to A\$1.36bn. The BHP share price has also been strong, outperforming the Australian stockmarket by 120 per cent since 1988 and the mining sector by a similar amount.

In the current year the company

Gearing, meanwhile, has come down about 35 per cent, and the company has been at pains to stress that it intends to avoid a "lazy (underused) balance sheet".

"We have the capacity to fund any substantial new investment opportunity that should arise," Graham Healy, the finance director, told analysts at the results presentation in July, prompting speculation that a multi-billion deal could be in sight.

BHP has enthused about two potential channels for expansion. The first is direct reduced iron (DRI) — a process which involves the reduction of high-grade iron ore concentrate using natural gas. The resulting iron is made into small, transportable briquettes, which can be fed directly into the new generation of mini-mills.

Ideally, the production system requires high-grade iron ore and natural gas to be in close proximity — a situation that exists in Western Australia's Pilbara region, but is only becoming a feasible option with the opening of the gas market. This month, BHP announced it was seeking environmental approvals for the construction of a A\$750m DRI plant in the region, indicating the final feasibility studies are in progress.

The second is power generation, predominantly offshore, and probably in the growth markets of Asia and South America. This attracts some scepticism, since it would take BHP into a new area of operation. The company, however, claims such a move is a fairly natural progression from existing energy-related activities.

Indeed, while BHP is only examining possibilities at present, Prescott does not quarrel with the notion that power generation might eventually form a fifth leg to the business. "It could be a self-con-

tained entity, although it would have to work closely with the rest of the group. But it may well be a core operation," he says.

On the organisational front, Prescott recognises that some changes will probably be necessary as the company comes to terms with its growing global spread. BHP, he suggests, may need to move from its divisional structure towards a "matrix" of the sort especially common among big US multinationals, where the product divisions and a geographical management network are superimposed on each other. Because of their complexity, such structures are often controversial and difficult to operate.

"The current structure may not give the best means of promoting BHP in a new part of the world," he continues. "It might be better if we had a structure which allowed us to present our credentials collectively in a country where we were not well known. Rather than have our steel business go in separately, then our minerals business, then our petroleum business, perhaps there should be a 'Mr BHP' who would be the single focus of contact in each particular country."

The company is already tending "to move a little bit in that direction," Prescott adds. Its president of BHP Japan serves as a single point of contact for all businesses there, and it is implementing the same concept in China and Russia.

But what nationality is "Mr BHP Japan"? Prescott admits that he is Australian — "well, actually a Scotsman" — but quickly adds that on the divisional side of the structure the senior iron ore, coal, transportation and steel salespeople are locals.

"It's only in recent years that I could say that — it's a bit of a change," he remarks. For BHP, it is really a revolution.

## On the organisational front, BHP recognises that some changes will probably be necessary as the company comes to terms with its growing global spread

sees as the most internationally-focused. About 70 per cent of employees are based outside Australia and recent chief executives have been recruited from outside the company. (Peter Wilcox, who stepped down earlier this year, came from Amoco; his replacement, John O'Connor, from Mobil).

The minerals side, too, is highly diversified and much of the management conducted from San Francisco, thanks to the purchase of Utah International's mining interests from US General Electric in 1984. Steel, by contrast, is described by one analyst as "more or less Australian". The current generation of top head-office executives has also been drawn heavily from this division's ranks: Lorton, Prescott and two divisional bosses all worked their way up through steel.

admits it will have its difficulties. Nevertheless, analysts seem fairly confident that another year of steady performance is in sight. Barring sudden commodity price movements, market estimates suggest that profits of A\$1.4bn could be achieved.

Looking longer-term, much will depend on the scale and efficiency with which BHP spends its development funds. To achieve a 10 per cent profit growth and using a target rate of 15 per cent for return on equity, David Rubin at ANZ McCaughan calculates that BHP needs to commit around A\$1bn to new projects each year — on top of the replacement capital expenditure to replenish depleting assets.

In fact, over the past five years, the total capital and investment programme has topped A\$12.5bn.

## High days, holidays and hard work

**T**oday is a statutory public holiday in Britain — one of a dozen or so, depending on where people live. What is the occasion for celebration that warrants the loss of billions of working hours? Is it Trafalgar Day, VE Day, St George's Day? No, it is merely the last Monday in August — a cause for national rejoicing.

Britain has about the same number of public holidays as the US, France and Italy. But Switzerland, the country with the highest GDP in the world, has only seven, though individual cantons do have their own as well.

This set me thinking whether I could do a latter-day Weberian analysis. It was the sociologist Max Weber who 90 years ago showed that the Protestant countries were (and still are) richer than the Catholic countries. He attributed this to the now-famous Protestant work ethic, with its emphasis on hard work, asceticism, industriousness and frugality.

Is it possible, I wondered, that a

country's number of public holidays is a simple index of its economic success? So I looked up the economic dragons of the Pacific Rim — Hong Kong and South Korea have as many as 18, Japan 14. Even Germany appears to have one of the highest numbers in Europe. It seems there is a link, but opposite to my theory. Could it be that the hard-working citizens of the Pacific Rim need to rest more often because of their long-hours of toil? Or perhaps they simply need more time to spend their yen.

The sight of a male colleague dousing himself with an expensive cologne rather surprised me recently. Had he, I wondered, been influenced by research that has indeed shown there is a sweet smell of success?

In an American study conducted in the 1980s by a social psychologist, a woman was interviewed for a job by a number of interviewers. It

## ADRIAN FURNHAM



was the same woman, in the same room, applying for the same job and giving standard answers. But for one group of selectors she wore no perfume, for another a less-preferred brand and for a third a popular musk-based brand. The selectors were required to rate her on abilities such as communication skills, conscientiousness and numeracy. The researchers showed reliably that those who interviewed the woman when she was generously sprayed in the popular brand of fragrance gave her higher ratings on nearly all the competencies.

Whilst it might be true that after-shave won't exactly compensate for

lack of ability, it might just help to pip others to the winning post. And my friend splashing it on — he was trying out a new wasp repellent.

Britain's long-running rail strikes provide management researchers with an excellent opportunity to measure the (intrinsic) motivation of their staff. The central question is who makes the effort to come to work and who prefers a spot of re-priming. A number of favourite hypotheses could be tested, such as the higher your rank in the organisation, the more likely you are to

make the effort. Interesting and important, though difficult and time consuming, this research is unlikely to be pursued because few organisations attempt to keep accurate and reliable measures of absenteeism.

Having no way of monitoring absenteeism, leaves organisations susceptible to skivvy, hypochondriacs and moonlighters. Further, it makes estimates of days lost through strikes (or illness) vague and open to manipulation for political purposes. How many organisations have any accurate idea of the cost of this rail strike to them?

Some time ago I "came out" as chronobiologically incompatible with my peers and the preferences of most organisations. I am a "lark" — an early bird who prefers to get up and start work early. In at 6am, home at 4pm. My colleagues, indeed most of the world, are "owls" who come alive at the end of the day.

They prefer to saunter in at 10am and leave at 7.30pm.

Why are important meetings scheduled at 11am and 4pm and not 8am and 2pm? And why is staying late heroic but arriving early eccentric? The business breakfast imported by the Americans in the heady 1980s seemed not to have caught on in Britain.

The benefits of life as an early bird are manifold — less traffic, lower rates of crime, better quality of air — but all are unheeded. Alas the data are against me again. A string of British studies (funded by the Medical Research Council) of biological rhythms — measured by body temperature — show the lowest point is about 3am and the highest about 5pm. Because people are more vigilant and attentive when warmer it does make sense, even for larks, to schedule meetings later in the day.

Adrian Furnham is professor of psychology at University College London. Lucy Kellaway is away.



## DESERT ISLAND MANAGER

John Guinness

John Guinness, 58, spent most of his career as a diplomat and civil servant before taking over as chairman of BHP. The nuclear fuels reprocessing company, in 1992, in his last nine years as a civil servant he was deputy secretary then permanent secretary in the Department of Energy and was responsible for the privatisation of the electricity industry.

Who would you take with you other than your family? I would have a chat with the Almighty and try to get my former boss, the late Victor Rothschild. He was the nearest thing to Renaissance man I have known. He was a fellow of the Royal Society, an expert on the spermatozoa of the bull, a county cricketer, he could have made a very good career as a jazz pianist. He wrote the bibliography of English 18th century first editions and he was a great wit and bon vivant. He was also head of the Think Tank, where I had two spells in the 1970s.

What would you miss most? I would miss the opportunity to go to obscure private picture collections. I have a collection of a quarter of a million photographs of historical portraits which I have amassed since I was 15. I also advise Sotheby's and Christie's, sometimes helping to identify portraits.

What would you miss least? Bureaucracy (in both the private and public sectors), complacency and negativity.

What would you read? The first thing would be the Nuclear Installations Inspectorate's safety regulations. But then I would ask for Don David Knowles's four volumes on English monasticism, one of the great works of English scholarship. I would also ask for the news pages of the Times and the business pages of the FT.

What film? *Band Hearts and Coronets*. Sir Alec Guinness is the most distinguished person with the name of Guinness. I only wish I could prove we were cousins.

What drink and food? I would want fish and chips, especially as there would be so much fish around the island. It is a food I adore; one of my ambitions is to write a guide on fish and chip shops from London to Norfolk. I would also want some diet Coke.

You can have one item of office equipment. I learned to type when I was 13 and I have always felt comfortable with it. When I was in the Department of Environment I used to sign off my reports with "composed, typed and sent by J.R.S. Guinness".

But if I had to make a choice it would be a telephone, so that I could talk to my family and employees.

What vehicle? I would want to take my 1900 Clement Paillard. It is partly for this reason that the telephone would be essential. My wife is the engineer of the family. She can take cars apart and put them together with ease. I could telephone her and she could tell me how to repair it.

Michael Smith

"Some frequent flyer programmes only offer free flights."

"But KLM really push the boat out."

**KLM'S FLYING DUTCHMAN WORLD OF DIFFERENCE PROGRAMME GIVES YOU MORE THAN JUST MILES.**

From Caribbean cruises to Viennese violin lessons KLM offers more. For details & reservations call 081 750 9000. The Reliable Airline **KLM**

**LEGAL NOTICES**

IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION

IN THE MATTER OF  
THE PROPERTY TRUST PLC  
AND  
IN THE MATTER OF  
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 20th day of August 1994 presented to His Honour Judge M. J. G. QC for the confirmation of the reduction of the capital of the above-named Company from £1,250,000 to £1,500,000 by the cancellation of 18,750,000 Ordinary Shares of 25p each.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Goff on Wednesday the 14th day of September 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for the same.

A copy of the said Petition will be forwarded to any such person requiring the same by the undersigned Solicitors on payment of the appropriate charge for the same.

DATED this 26th day of August 1994

LAWRENCE GRAHAM  
140 Strand  
London WC2N 2JH  
Telephone: 01-779 0000  
Solicitors for the above-named Company

**OBITUARIES**

ON 21ST AUGUST 1994 David Colin McGregor, C.A.F., last Parliament, for many years Senior Counsel to the Ministry of Agriculture, Food and Fisheries, died at his home, 10, Westway, W14 9JL, at the age of 68.

Funeral service to be held at the Church of St. James the Great, Westway, W14 9JL, on Thursday 1st September 2.30pm. No flowers please. If desired donations in his memory for the Wild Life Fund or R.A.L.L. c/o R.H. Barker, 40, Westway, W14 9JL, or C.M. 011 101. Enquiries on 0206 510033.

**To Advertise Your Legal Notices**

Please contact  
Tina McGorman  
on +44 71 873 4842  
Fax: +44 71 873 3064

**SWANSEA**

**NEW FACTORY SPACE**

**£2.50** per sq. foot

Telephone Mike Burns  
(0792) 476665

Swansea Centre for Trade and Industry  
Swansea SA1 3QH

**BUSINESSES FOR SALE**

Appear in the Financial Times  
on Tuesdays, Fridays and Saturdays.

For further information or to advertise  
in this section please contact  
Karl Layton on +44 71 873 4780 or  
Lesley Sumner on +44 71 873 3308

**FINANCIAL TIMES**  
Largest National Directory

مكتبة

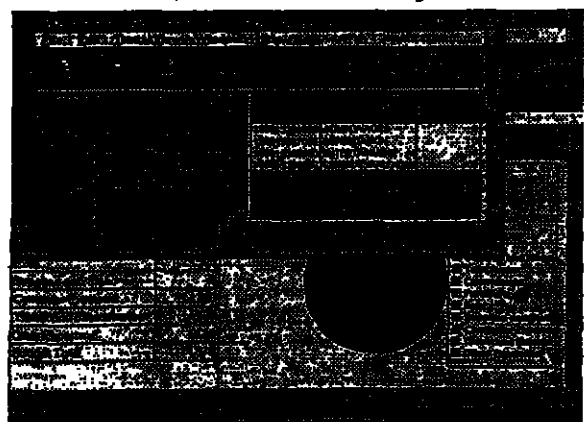


Joseph L. ...



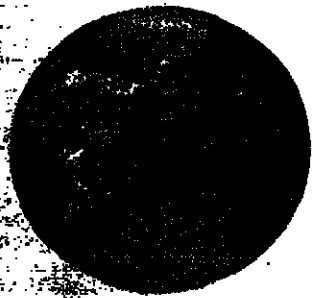
# Introducing The First Financial Software That's As Ambitious As You Are.

Those who succeed today, outthink, outwork and outperform the competition in everything they do.



Masterpiece is easy to use. And that makes everyone more productive.

But that's not only true in business. It's also true in the business of financial software. Where nothing can compete with CA-Masterpiece®/2000. The first financial software designed for a re-engineered, right-sized, real-time world.



The financial software used by the world's leading corporations.

With its proven client/server technology, Masterpiece allows you to streamline processes and workflows. Obtain more accurate and timely financial data. Leverage and protect your investment in legacy systems and personnel. As well as increase the productivity of your work force by providing

them with software that's easy to use.

Masterpiece also performs from a global perspective. With a fluency in currencies and languages that gives your company a common way of doing business around the world.

**For Information And A Copy Of Selecting Financial Software To Provide A Competitive Edge, Call Or Fax Computer Associates.**

CA-Masterpiece/2000. In financial software, it's the smartest investment you can make.

France	Tel. 33-1-40 97 50 50	Fax 33-1-40 97 51 51
Germany	Tel. 49-6151-949-384	Fax 49-6151-949-802
Italy	Tel. 39-2-90464.1	Fax 39-2-904642501
UK	Tel. 44 753 577733	Fax 44 753 825464



## CA-Masterpiece/2000

Client/Server Financial Software

© Computer Associates International, Inc., Islandia, NY 11788-7000. All other product names referenced herein are trademarks of their respective companies.

**COMPUTER ASSOCIATES**  
Software superior by design.



## BUSINESS TRAVEL

## Blow for smokers

Four airlines are planning to ban smoking on all flights between the US and Europe from January 1, citing overwhelming support from passengers for the move. It will be the first ban on transatlantic flights. From October 1, American Airlines will extend no-smoking services to two out of six

## Daily flights between New York and London

Four airlines are planning to begin work this year on a new 600 (300m) aircraft, which will be used on the transatlantic route between New York and London. British Airways is also planning a no-smoking experiment on October 30 to encourage one of its five daily flights between London and New York and all transatlantic routes to and from Canada.

## China's rail plan

China plans to begin work this year on a new 600 (300m) aircraft, which will be used on the transatlantic route between New York and London. British Airways is also planning a no-smoking experiment on October 30 to encourage one of its five daily flights between London and New York and all transatlantic routes to and from Canada.

## Korean crash fault

South Korean police have said responsibility for the crash of a Korean Air Lines Airbus A300-600 on the Chongju airfield near Seoul, Korea, on April 15. A police official said the aircraft was flying at a low altitude when it crashed into a hillside. The aircraft was carrying 229 passengers and crew. The crash was the deadliest in the airline's history.

## UK trains strain

British rail services will be severely disrupted this week as a result of a strike by the RMT union. The union is demanding a 5% pay rise and a 10% increase in overtime. The strike is expected to last for several days. The RMT union is the largest of the three main rail unions in the UK.

## Airport thieves

Police in Hong Kong have said that a group of thieves has been targeting passengers at the airport. The thieves are stealing cash and valuables from passengers' bags. The police are trying to identify the thieves and prevent further thefts. The airport is a major hub for international flights.

## Daily flights in the leading business centres

	Mon	Tue	Wed	Thur	Fri
London	10	10	10	10	10
New York	10	10	10	10	10
Paris	10	10	10	10	10
Frankfurt	10	10	10	10	10
Amsterdam	10	10	10	10	10
Brussels	10	10	10	10	10
Geneva	10	10	10	10	10
Zurich	10	10	10	10	10
Munich	10	10	10	10	10
Stuttgart	10	10	10	10	10
Cologne	10	10	10	10	10
Düsseldorf	10	10	10	10	10
Bonn	10	10	10	10	10
Frankfurt	10	10	10	10	10
Munich	10	10	10	10	10
Stuttgart	10	10	10	10	10
Cologne	10	10	10	10	10
Düsseldorf	10	10	10	10	10
Bonn	10	10	10	10	10

Millions of people travel business class each year. But few are aware of what goes into providing the extra services. Charles Jennings visited British Airways to explore...

## The anatomy of a Club Class flight

**Air-conditioning**  
The air enters the cabin from the right side, above the headlight and below the overhead lockers, and is distributed from the side walls at floor level. There are three air conditioning units on each 747, changing the 51,000 cubic feet of air in the entire passenger area every three minutes and keeping it at a constant temperature of about 70°F (21°C). The air is filtered through paper filters which are changed every 1,500 flying hours. Cigarettes, of course, are not allowed on air-conditioning but can cope with the heat.

**Windows**  
These are made of three separate acrylic panes. The outer pane is fixed, while the inner pane is a protective pane. There is a gap between the panes. Normally, the outer pane carries the full load of pressurisation. If the outer pane should fail, the middle pane will take the full cabin pressure load. Both outer and middle panes are equipped with a built-in safety mechanism which causes the panes to shatter on impact, splintering into a mass of small, harmless fragments. It does not matter if the outer pane is shattered or accidentally damaged, as it does not take any pressurisation load. Thus the risk of being a "bullet" and being sucked out at 30,000 feet is zero.

**Cabin floor**  
Under the cabin, 70 square metres of carpeting are laid to cover the floor of the aircraft. The carpet is made of a synthetic material which is fire-resistant and has a built-in safety mechanism which causes the carpet to shatter on impact, splintering into a mass of small, harmless fragments. It does not matter if the outer pane is shattered or accidentally damaged, as it does not take any pressurisation load. Thus the risk of being a "bullet" and being sucked out at 30,000 feet is zero.

**Seats**  
There are 48 seats in the Club Class cabin. The seats are made of a synthetic material which is fire-resistant and has a built-in safety mechanism which causes the seats to shatter on impact, splintering into a mass of small, harmless fragments. It does not matter if the outer pane is shattered or accidentally damaged, as it does not take any pressurisation load. Thus the risk of being a "bullet" and being sucked out at 30,000 feet is zero.

**Lifejackets**  
Each passenger is provided with a lifejacket. The lifejackets are made of a synthetic material which is fire-resistant and has a built-in safety mechanism which causes the lifejackets to shatter on impact, splintering into a mass of small, harmless fragments. It does not matter if the outer pane is shattered or accidentally damaged, as it does not take any pressurisation load. Thus the risk of being a "bullet" and being sucked out at 30,000 feet is zero.

**Food facts**  
Food and drink are served in the Club Class cabin. The food is made by a professional chef and is served on fine china. The drink is made by a professional bartender and is served in fine glassware. The food and drink are served in the Club Class cabin. The food is made by a professional chef and is served on fine china. The drink is made by a professional bartender and is served in fine glassware.

**Entertainment**  
The seat backs now carry individual 8in x 7in LCD colour video screens with a compensation mechanism to allow for variations in the angle of the seat back relative to the viewer. There are eight video channels, allowing for 54 hours of video per flight. The cabin for the video and audio channel control, and for the overhead light controls and call buttons, is located at the tail. The overhead light controls and call buttons are located at the tail. The overhead light controls and call buttons are located at the tail.

**Hand washbasins**  
These do not empty out into the air, rather than into a holding tank - the source of those myths about how countries have been catching bacteria from the aircraft. The waste water empties through two drainpipes beneath the aircraft - one just ahead of the wings, the other at the tail. Both drainpipes are kept heated, to prevent them from freezing. 1.2m tonnes of soap are used up every year.

**Blankets, washbags, headsets etc.**  
Reflecting the fact that business people are more likely to be male than female, BA gives out 1,000,000 men's washbags each year, and 400 women's washbags. 60,000 blankets are used each year, and 400,000 headsets. The equivalent of 20 tonnes of baggage go from the aircraft to the ground every year.

**Lavatories**  
There is one lavatory for every 18.5 passengers, each lavatory serviced by a tank holding 10 litres of water. On average, one passenger in the lavatory will use about 10 litres of water. The lavatory is serviced by a tank holding 10 litres of water. On average, one passenger in the lavatory will use about 10 litres of water.

**Food storage & preparation**  
Food is loaded onto the aircraft before boarding. The food is stored in special containers, which are kept at a constant temperature. The food is stored in special containers, which are kept at a constant temperature. The food is stored in special containers, which are kept at a constant temperature.

**Holding tanks**  
The waste water is collected in a holding tank at the rear of the plane. The holding tank is serviced by a tank holding 10 litres of water. On average, one passenger in the lavatory will use about 10 litres of water. The lavatory is serviced by a tank holding 10 litres of water. On average, one passenger in the lavatory will use about 10 litres of water.

## ARCHITECTURE

## Rough guide to English churches

Colin Amery on one of the best ways to learn about history and architecture

This is the season for church calling - a greatly underestimated summer activity that somehow has the undeserved reputation of being confined to young fogies, wearing tweed jackets and riding old-fashioned bicycles. Looking at churches, as I have been in Norfolk and Suffolk in the past week, is a remarkably painless way of studying history and architecture. It helps in understanding their relationship to the countryside. But how easy is it to enlarge one's knowledge and understanding when faced with the average description of a parish church in the typed leaflets provided, or in the vicar's guidebook?

Take a typical example: "The church and tower are Perpendicular, with traces of Norman work remain. The south aisle is Dec, while the porch is a fine Perpendicular example with good flushwork decoration in checker-board pattern, with two orders of fleurons at the entrance. The chancel was removed in 1848 but the stepped triple lancet window remains. The piscina and sedilia clearly belong to the mid-13th century, as do the poppy heads on the choir stalls. Much of the furnishing is very much renewed and considerable damage was caused to the church by the iconoclasts. Note the fine brasses and hatchments."

Is a translation needed, or at least some key that can open the door into the arcane Perpendicular and early English? The most natural place to turn for enlightenment would be *The Buildings of England* by Nikolaus Pevsner, the invaluable Penguin Guides to all the counties of England. This great German refugee professor did what only a German could do. He methodically tackled the task of listing and visiting every building in England and describing them in an inimitable way that was both accurate and opinionated. But how easy is it to enlarge one's knowledge and understanding when faced with the average description of a parish church in the typed leaflets provided, or in the vicar's guidebook?

Take a typical example: "The church and tower are Perpendicular, with traces of Norman work remain. The south aisle is Dec, while the porch is a fine Perpendicular example with good flushwork decoration in checker-board pattern, with two orders of fleurons at the entrance. The chancel was removed in 1848 but the stepped triple lancet window remains. The piscina and sedilia clearly belong to the mid-13th century, as do the poppy heads on the choir stalls. Much of the furnishing is very much renewed and considerable damage was caused to the church by the iconoclasts. Note the fine brasses and hatchments."



St Mary the Virgin, Battle. Part of the fun of church calling is not just mastering the basic stylistic differences but noticing the local variations of style and materials.

buildings are very big and solid. This solidity meant that there was no need for large projecting buttresses. Towers are usually square and the place for richly carved ornaments is around doorways. You can tell the difference between early and later Norman work by the thickness of the mortar joints. In the 11th century they were wide and coarse, while in the 12th century they became fine and exact. Much of Durham Cathedral is Norman.

Out of the Norman style emerged the national Gothic style, which is known as Early English or EF. It was struggling to life in 1150 but really flourished for the whole of the 13th century. The arches are pointed and the buildings less fortress-like. They also become lighter. Spires appeared and roofs became steeply pitched. Vaults were no longer barrel shaped but became pointed and groined. Decoration became less geometric and more naturalistic - carved foliage can be seen. Salisbury Cathedral is the best example of this style.

It was inevitable that the cool refinement of the early English style would develop into something more elaborate and that is why the Decorated (Dec) evolved during the period 1250 to 1350. This style achieved something that modern architects have never been able to do: ornament became an integral part of the constructional elements of a building. Windows became much wider and gained strength from stone tracery based upon simple geometric designs. Wooden roofs

became more elaborate, while piers and columns became slender. Lincoln Cathedral is a good example of the Decorated style.

Perpendicular stands for the perpendicular style and its dates are 1350 to 1530. It looks as it sounds. All the emphasis is upon the vertical. This style represents the ultimate in Gothic architecture. The best way to learn what Perpendicular is to look at Kings College Chapel in Cambridge. The elaborate "fan tracery" of the roof is the culmination of Gothic vaulting. Arches are flatter and the flying buttress developed at this time to support walls that were sometimes composed entirely of glass. Walls that are not windows are covered with panels that emphasise the vertical nature of these tall Gothic buildings.



Kings College Chapel in Cambridge: ultimate in Gothic architecture

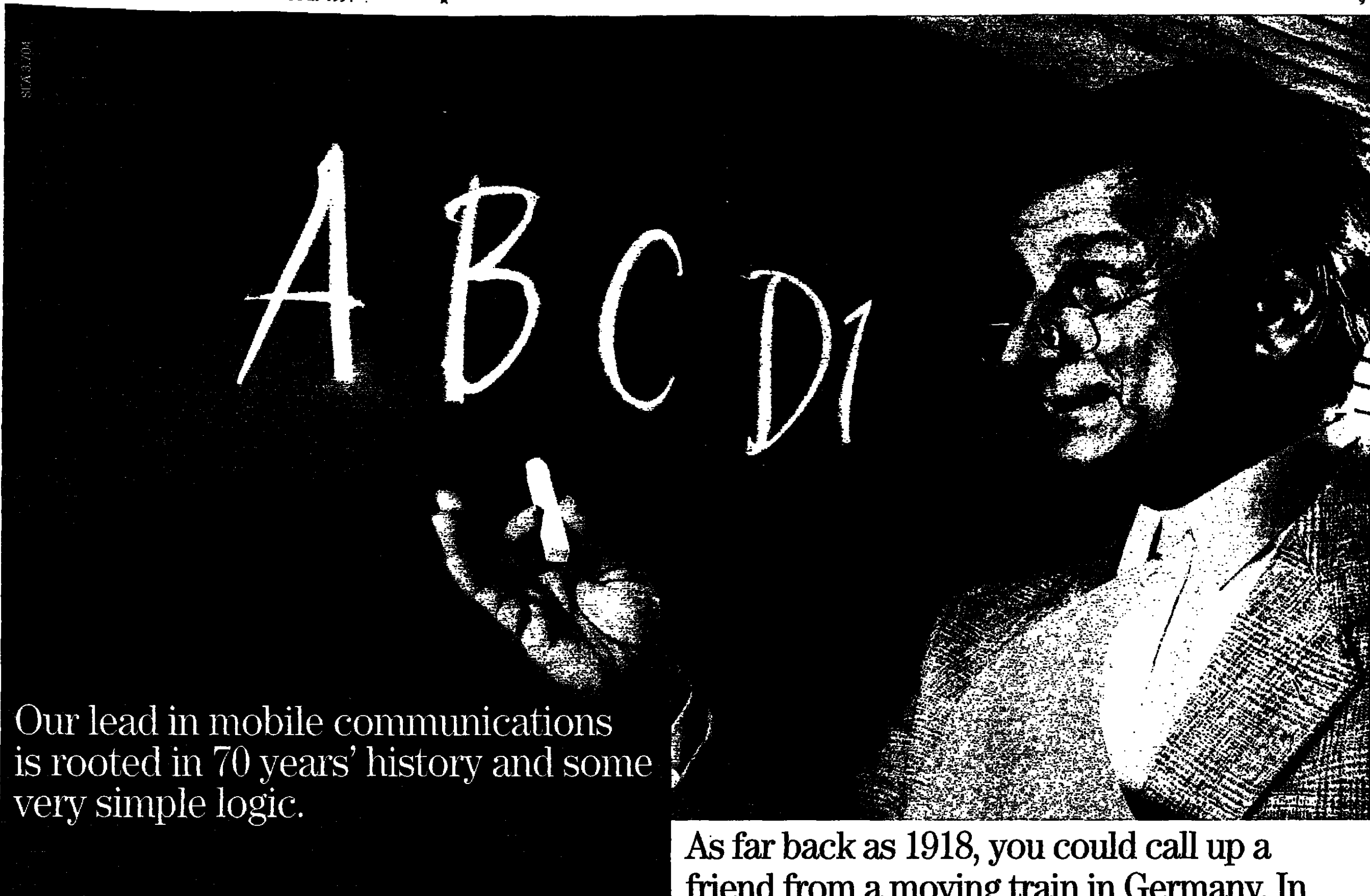
Part of the fun of church calling is not just mastering the basic stylistic differences but noticing the local variations of style and materials. In East Angles, for example, there is a characteristic use of flint. Sometimes the flint is knapped (made smooth) and sometimes it is contrasted with stone in heraldic patterns - this is known as flushwork. It is a regional art form of a very high order.

Churches are potent with the palimpsests of architectural as well as national history. The secret to unlocking their pleasure is learning the basic language and recognising different styles as you see them. Then churches become strange and wonderful changing things. They are an endless source of character and beauty.

كتابي الأول



هاتفك هو



Our lead in mobile communications is rooted in 70 years' history and some very simple logic.

As far back as 1918, you could call up a friend from a moving train in Germany. In

1958, we launched our so-called "A" mobile telephone network. With the introduction of our "B" network in 1972, we also brought in subscriber direct-dialling. In 1985, our "C" network became fully operational: with a subscriber base of 850,000, it is one of the most successful analogue networks in the world today.

In other words, Telekom has an enviable track record in mobile systems. So it's only logical that, together with other European telecoms companies, we developed today's leading worldwide standard for digital mobile communications – GSM (Global System for Mobile Communications).

Naturally, GSM is also the basis for Telekom's own D1 digital network. Telekom's D1 sets new standards in overall quality, transmission security, capacity and service. By the end of 1993, D1 will already provide coverage for almost all of Germany.

Thanks to the GSM concept of international standardisation, you can already use your D1 phonecard in many European countries.

And, of course, you yourself can always be contacted in those countries under your personal D1 phone number. But it doesn't matter in which of these countries

London  
Tel.: +44 71 287 17 11  
Fax: +44 71 287 50 99

New York, NY  
Tel.: +1 212 424-29 00  
Fax: +1 212 424-29 89

Tokyo  
Tel.: +81 3 52 13 86 11  
Fax: +81 3 52 13 86 32

Paris  
Tel.: +33 1 44 43 00 00  
Fax: +33 1 44 43 00 10

Brussels  
Tel.: +32 27 75 05 11  
Fax: +32 27 75 05 99

Moscow  
Tel.: +7 50 22 56 51 09  
Fax: +7 50 22 56 51 10

Koblenz  
International Key  
Account Management  
Tel.: +49 261 1 23 11  
Fax: +49 261 3 82 82

you find yourself, or in which GSM-compatible system you insert your D1 card, you'll always benefit from the fact that Telekom has put all its wide-ranging expertise and its comprehensive mobile communications know-how into the development of GSM.

Telecommunications made in Germany.



We tie markets together.

 **Te-le-kom**

## PEOPLE

# Contacts and superstition

... were the building blocks of Thailand's largest hotel chain. Now, says Victor Mallet, founder Chanut Piyaoui plans to expand abroad

**F**or a woman who says demurely that she knows little about finance or economics, Khunying Chanut Piyaoui is doing remarkably well. She is the founder and managing director of the Dusit Thani group, Thailand's largest hotel chain.

Now aged 72, Chanut (Khunying, roughly equivalent to "Lady", is a title bestowed on women by Thai monarchs) built Bangkok's first modern international hotel 25 years ago. "I didn't know about finance - I just wanted the best," she says.

She went on to establish and manage luxury hotels all over Thailand as tourism and business travel rapidly increased in the 1970s and 1980s. The company, which last year made a net profit of \$1.41m (\$8.6m) on turnover of \$1.63bn, also holds the Thai franchise for Best Western, the US hotel chain.

On the advice of a fellow director - her son, Chanut Donavanik - Dusit has recently made substantial investments overseas, partly because the growth of tourism in Thailand has started to slow and hotel profits have fallen.

"I would like to invest overseas, not to make a lot of money, but because I want to present Thai customs, Thai tradition, Thai art and culture, Thai food and hospitality."

This apparent high-mindedness, along with her supposed ignorance of financial matters is taken with more than a pinch of salt by those who do business with her. The judgment of one foreign business consultant in Bangkok is perhaps more revealing: "She's as tough as nails and knows everything that is going on."

Those qualities may become more familiar to foreign hoteliers as her group embarks on an ambitious plan to internationalise its operations with hotels in China and Vietnam

and in southern Europe.

Like other ethnic Chinese tycoons in Asia, Chanut has fostered an authorised - and thoroughly bowdlerised - version of her life story. Her father came from the Chinese island of Hainan and owned a saw-mill, but he lost his business when he pledged the property as a loan guarantee for a friend who subsequently defaulted; her mother owned a rice-mill.

Chanut's education in Bangkok was disrupted by the second world war and the Japanese occupation of Thailand. Her subsequent attempts to study for a degree in the US were stymied by her poor English.

She was, however, impressed by American hotels and motels, and she returned to Bangkok in her mid-twenties to put up a 60-room hotel called "The Princess" which opened in 1949. At that time most Thai hotels were regarded as brothels. The women who ran them were seen as traditional mamasans, not hotel managers.

Chanut set out to change all that. She saw the hotel business as a way to become an independent businesswoman. The venture was not a success, but the difficulties she faced - and her stays in the Waldorf Astoria in New York and the Georges V in Paris - gave her the idea of building the five-star Dusit Thani as "the landmark of Bangkok".

The distinctive triangular Japanese-designed hotel, was the tallest building in the Thai capital when it was built in 1970, remains the centrepiece of the Dusit Thani chain. It is patronised by the Thai royal family and aristocracy as well as foreign business executives and tourists.

Chanut's struggle to raise the \$20m that was eventually needed to open the hotel has become the stuff of Thai business legend. She is all the more

remarkable for being a single woman - a divorcee who calls herself "chairperson" of the company - in an Asian business world dominated by men.

"It was very difficult at that time, especially as a woman," she says, "but most people were kind, so I was able to make it... I didn't have any collateral and I went to see one of the smallest banks and asked the manager to help me. I knew him and his family but the money I needed was much higher than their registered capital, so they asked another bank and they both guaranteed a loan without collateral."

It was not the last time that she displayed an instinct for business opportunities which more than makes up for her lack of formal training. For example, the Dusit Thani's lobby was enlarged after Chanut saw the 400-seat jumbo jets being built in Seattle where she was attending a tourism conference.

**S**he ended a management contract with the Westin group after two years because the profits she was earning were not high enough to pay off her debts. That decision enabled Dusit Thani to grow into a hotel management company in its own right.

The official version of Chanut's career and the growth of the Dusit Thani chain concentrates on the triumphs rather than the failures. Yet the group has not been free from controversy. It has been accused more than once of damaging or trying to profit from what remains of Thailand's natural environment.

The most notable example is the recently-opened Rayavadee resort in southern Thailand which is managed by Dusit. Environmentalists say the hotel is illegally sited in a national park, although Chanut says there is a title deed that proves otherwise. The official history of her life



is so sparse that it leaves much of her business activities since the Japanese occupation in the realm of gossip.

Yet one factor in her rise is abundantly clear. Personal relationships are vital to business in Thailand and Chanut's success reflects the quality of her connections.

Her friendships with members of the Thai royal family have been crucial, but, like all royal matters in Thailand, they are not subject to public scrutiny. Suffice it to say that Princess Galyani, the King's elder sister, opened Chanut's first hotel in Bangkok four decades ago and many subsequently.

The land for the Dusit Thani was leased from the Crown Property Bureau.

Political influence and good connections with the Chinese business community are more important than either luck or financial acumen for commercial success in Thailand. Chanut has influence in abundance. Asked if she still relied on personal contacts more than anything else in her business, she replies "yes", but quickly changes the subject. How business is really done is never part of the authorised version in Thailand.

Those contacts will be less useful as the group expands

internationally, especially outside Asia. Nevertheless Chanut has sanctioned an ambitious drive overseas.

In 1992, Dusit bought a stake in The Melrose in Dallas, Texas, and now manages the property; it opened its first hotel in Indonesia in June this year; it is investing in a resort development in Majorca; the first Dusit resort in Nepal is due to open in 1996; it runs Vietnamese restaurants in Tokyo and Bern; and further deals are being negotiated in China, Vietnam and elsewhere.

The Thai name Dusit Thani, Chanut agrees, is not easy to market internationally, but she is loyal to it. Dusit Thani, the "City in Heaven", was the name given to a proposed utopian town by the late King Rama VI. Chanut prayed to his statue for permission to use it for her first big hotel.

The belief that the success of her business is wrapped up with divine forces as well as royal friendships highlights another aspect of her business style. Chanut, in common with many Chinese entrepreneurs, is superstitious. Her foreign partners will find she uses a powerful device to determine the best date for opening a hotel: she consults the Chinese calendar to find a lucky date.



## Government veteran heads Chicago Fed

The new head of the Federal Reserve Bank of Chicago is a non-banker with political connections. He has spent more time in Washington in the past decade than he has on the bank's home turf, a five-state area that includes Illinois, Iowa, Indiana, Michigan and Wisconsin, writes Laurie Morse.

Michael Moskowitz will assume the Chicago Fed's presidency in September. An economist with a doctorate from the University of Pennsylvania, Moskowitz served the Bush Administration as Deputy US Trade Representative, working for Carla Hills. In that job he was a principal negotiator for both the North American Free Trade Agreement and the General Agreement on Tariffs and Trade.

A Republican stalwart of 56, he also served for seven years in the Nixon/Ford administration in various posts, and for a time was Nixon's undersecretary of labor. When not in government service, Moskowitz held executive positions at several corporations in the Chicago area.

Since leaving the Bush White House, Moskowitz has been teaching strategy and international management at Northwestern University's Kellogg Graduate School of Management. His appointment to the Chicago Fed brings unusual experience in international economics and trade to the regional bank, whose territory includes both rust-belt and grain-belt industries that are the US's largest exporters.

Moskowitz will have about a year to become accustomed to bank policy before he becomes a voting member of the Federal Reserve's policy-making body, the Federal Open Market

Committee. Only five of the 12 regional Fed presidents get to vote on monetary policy at any one time. It's Chicago's turn next year.

## Sibley: magic of Hong Kong

Nicholas Sibley, the deputy chairman charged with launching the investment banking joint venture between National Westminster Bank and Wheelock, the Hong Kong trading house, makes no bones about the primary attraction of his new role: it's based in the Far East, writes Louise Lucas.

Hong Kong's magic first hit him in 1972, when he became director of Jardine Fleming, the broking arm which is jointly owned by Robert Fleming - with which Sibley had spent the previous two years - and Jardine Matheson, the colony's oldest hong.

Eleven years later he found himself back with parent Robert Fleming in London, but discovered the city was a very changed place: "It was the old problem of relative decline and what happens as a result."

There was envy to contend with too: "Everyone rather resented the fact that you had spent time overseas while they had lived through the Wilson and Callaghan socialist paradises and had just found themselves getting poorer."

So in 1988 he joined Barclays de Zoete Wedd, later becoming chairman of the group's Asia Pacific operation. He joined Wheelock as managing director of Wheelock CIC in February of this year.

He retains the jovial demeanour and impeccable qualifications of a Jardine man - educated at Trinity College, Oxford, doing his national service as second lieutenant with the VIII King's Royal Irish Hussars and training as an accountant. But he is finding today's Hong Kong somewhat different from the early 1970s. There are more strange faces and not so many cocktail parties; instead, work takes up a lot of his time. He has no problem at all with 1997, viewing it even as a slight plus: "We'll get rid of all the political nonsense that's been developed here over the past couple of years" (A time span corresponding to Patten's tenure and introduction of an extended democracy).

His trips to China are few

but illuminating: "You don't expect to find yourself suddenly, at the age of 56, in a karaoke bar in Chicago, but anything in the pursuit of business."

His immediate tasks are to recruit a chief executive officer for Wheelock NatWest, due to be launched around the turn of the year, and then divisional heads. After so long in the world of investment banking, he is confident he will know every name on the headhunters' shortlists.

## Språngare: back to the woods?

Not many business leaders are as courageous enough to describe a strategic alliance they have masterminded as a "complete failure," writes Christopher Brown-Humes.

Yet Björn Språngare, announcing his resignation last week as the chief executive of Swedish insurer Trygg-Hansa, was being disarmingly frank about his performance. Yes, there had been mistakes, he admitted. Yes, the public had lost confidence in him. And, yes, his departure might make it easier for Trygg to get the banking licence it has long coveted.

No one deal unseated Språngare - rather it was a series of investments that unhappily coincided with the crisis in Sweden's financial sector and brought the company huge losses. But he had his successes, too; he steered Trygg through a difficult demutualisation.

The good news for Språngare's successor (yet to be chosen) is that Trygg's domestic insurance business is in good shape. The bad news is that the group's difficulties with its investment in the US insurer, Oxford, continue. After Hansa's initial public offering misfired last year, Trygg now has a bigger chunk of Hansa than it wanted. Action is urgent given the heavy losses which Hansa inflicted on Trygg's mid-term figures.

In truth, Språngare always looked slightly uncomfortable in the world of financial services, given that his previous career was in the pulp and paper sector. It will be interesting to see whether the call of the woods for this doctor of forest science, whose favourite hobby is retiring to the woods and chopping down trees, is strong enough to lure him back to forestry now.

## MEDIA FUTURES

# Diller warns against industry's stampede

Raymond Snoddy reports on the QVC chairman's Edinburgh speech

Barry Diller, chairman of QVC, the innovative TV home-shopping channel, has issued a stark warning that major corporations are launching multi-million - and even multi-billion - dollar experiments in new media convergences without any understanding of what these convergences are really about.

Diller's company grew by exploiting television, telecommunications and computers. But he says there are those in these industries who are doing "truly stupid things" in anticipation of enormous markets that do not yet exist.

"Telecom companies, broadcasters, book publishers, silicon chipmakers and software companies fear that, if they don't rush helter-skelter into each other's businesses, the great dance of the next century will pass them by," Diller said at the weekend.

He was giving the annual Worldview international lecture at the Edinburgh International Television Festival. The entertainment executive, who recently failed in his attempt to merge QVC with CBS, the US broadcasting giant, said that Hollywood was going to Silicon Valley and vice versa - each thinking the other would succeed, but not exactly sure at what.

At the same time publishers were spending millions of dollars digitalising books and magazines, and slapping them on to floppy disks and CD-ROMs, in the happy belief that all their intellectual properties are naturally interactive - "whatever that means".

The mega-Titans, the telephone and cable companies, were fighting over who gets into each other's businesses fastest, in the belief that all will be well if they can just own the content that flows down their wires.

"It's more complicated - and a lot simpler - than that," said Diller, who added: "All these companies' intentions are good, but I think, regrettably, the networks to multimedia hell are going to be wired with



Barry Diller: the networks to multimedia hell are going to be wired with good intentions

good intentions." The crippling mistakes that most people are making is to insist on defining convergence along the dimensions of technological innovation, and by defining convergence as a "natural extension" of their existing businesses.

The result is that the programmers, "those organisers of the creative process", are playing the smallest, rather than the largest, role in the truly radical transformations now under way in the communication industries.

The programmers must be encouraged to play the role of the spark, the ignition to do new things, to make new

programmes, to get audiences to respond in new ways. The aim should not be to turn a personal computer into a TV set, a book into a personal computer or a video game into a movie.

"It means having the willingness to subordinate your media expertise, instead of imposing it. It means treating a new medium on its own terms, not yours. It means having the patience to relax and follow your curiosity, instead of hyperventilating and chasing the crowd," said Diller. As an example of new thinking, the QVC chairman said the one area where he invested in research at the home-shopping channel was in

creating "smart agent technology". This is software that puts together a profile in great depth, "about who you are, what you like and what you are interested in". It creates a "sensitive" duplicate of an individual inside the memory of the computer. This can then be matched in milliseconds with a database of goods and services.

"I think smart agents are going to be the single most important mechanism for empowering the entire industry. It will finally make mass media fit the individual. When it does, people will change their habits. And when people change their habits, watch out," he concluded.

# A fever caused by fear

Victoria Griffith on the race by US publishers to get on-line

**U**S publications have been racing to go on-line over the last 18 months. The Chicago Tribune, the San Jose Mercury News, the New York Times and Time magazine are all now available through personal computer on-line services, and the Los Angeles Times, the Washington Post and Newsweek will be on-line by the end of the year.

The on-line fever appears to be partly motivated by fear. "A lot of people in this sector are afraid," says John Lux, on-line editor of the Chicago Tribune. "We were battered by other technologies such as radio and television, and people think the information highway might shrink us again. I think newspapers will be around for a long time. But we also have an opportunity to embrace this new technology, and put some life into a staid industry."

Newspapers and magazines are still feeling their way in the electronic world. "We're going to be shaping the service as we go along," says Victor Perry, vice president of new business development of the Los Angeles Times. "This is new to us. We don't pretend to have all the answers, but it's important to get on the learning curve now. Newspapers without on-line services will be left behind."

The first step for most publications is to make their articles available - usually for a fee - to users of an on-line service. The number of people who will actually read newspapers on-line, though, is probably very limited. "It's not an ideal way to browse a newspaper," says Robert Ingle, president and executive editor of the San Jose Mercury News. "The amount you pay to load the articles into your computer over the telephone is more expensive than buying a paper, and most people don't enjoy reading text on a computer screen. For on-line services to take the place of newspapers you need technology such as a flat panel, an easily portable screen, and wireless communication."

Still, some demand for on-line articles exists. Readers often like to access local newspapers when they are out of town. They also get to read the articles earlier, since publica-



tions usually make material available several hours - or in the case of Time magazine, one or two days - before the printed version.

On-line graphics are also improving. More publications are offering photographs through the wire. The Washington Post plans to introduce a service which resembles a newspaper layout, complete with headlines, photographs and captions. Newsweek will include sound in its package.

Because the demand for on-line reading is limited, publications are trying to lure in customers with other services. Many of the on-line newspapers, for instance, offer extensive data bases. The Chicago Tribune and the San Jose Mercury News services allow readers to pull out past articles and supplementary information. A piece on the crime bill, for instance, would probably include a detailed history of its

struggle through Congress. The New York Times, Washington Post and the Los Angeles Times also plan to offer plenty of local interest information, such as restaurant and entertainment guides. The guides would be coupled with past reviews from the newspapers.

Interactivity - or communication with readers - is also a key selling point of the services. Almost all the services provide bulletin boards for readers to post comments and questions on articles they have seen. The New York Times holds formal, scheduled sessions during which readers can "talk" on-line to journalists and editors. Time magazine has hosted celebrity hours, during which readers can communicate electronically with well-known personalities.

"Interactivity is one of the main reasons people subscribe to a service like this," says

Richard Duncan, executive editor of Time magazine. "It's an important way for journalists, who are usually too much in their own world, to get in touch with their readers."

Publications are unsure, though, how far interactivity can be taken. "It can quickly get to the point that demands on journalists will become overwhelming," says Duncan of Time. "If journalists answer every inquiry, it would eventually take up all their time. But if you hire specialists to answer the letters, it defeats the purpose of the interactivity. The industry will have to sort this out."

Other questions remain unresolved. Pricing issues, for instance, will be essential to the services' success, and advertising will play a key role in keeping down costs. "Advertisements are crucial to allow us to provide the service at a low cost," says Michael Rogers, managing editor of Newsweek Interactive. Yet publications are unsure how best to integrate advertising. Many hope to allow readers to purchase items from advertisements directly on-line in the near future. The Los Angeles Times also plans to provide catalogues, and advertising packages on-line. "For instance, we could run a What's New at Walt Disney programme as an on-line form of advertisement," says Perry of the Los Angeles Times.

It is also unclear how much updating readers will demand from the on-line publications. "We do a certain amount of updating during the day," says Mark Fottis, director of product development for Digital Ink, the on-line arm of the Washington Post. "If our own stories aren't updated, readers can access updates through the wire services, like Reuters and the Associated Press. We don't have the resources to update everything, though."

Despite the uncertainties, on-line services have already established a firm place in the news industry. Consumers may not cancel their subscriptions for printed news yet, but many seem ready to plug into electronic information. For the old-fashioned newspaper and magazine industry, the on-line services may provide an important impetus to an otherwise slow-growing market.



## ARTS

## OPENINGS

**BERLIN**  
This year's Berlin Festival opens tomorrow, marking the 20th anniversary of the fall of the Berlin Wall. The festival features a variety of performances, including a production of *Die Walküre* by the Berlin Philharmonic.



**EDINBURGH**  
The Edinburgh Festival Fringe opens tomorrow, marking the 45th anniversary of the festival. The festival features a variety of performances, including a production of *Die Walküre* by the Edinburgh Festival Orchestra.



**EDINBURGH**  
The Edinburgh Festival Fringe opens tomorrow, marking the 45th anniversary of the festival. The festival features a variety of performances, including a production of *Die Walküre* by the Edinburgh Festival Orchestra.



**EDINBURGH**  
The Edinburgh Festival Fringe opens tomorrow, marking the 45th anniversary of the festival. The festival features a variety of performances, including a production of *Die Walküre* by the Edinburgh Festival Orchestra.

**WIMBORNE HALL**  
The 1994/5 season opens with a variety of performances, including a production of *Die Walküre* by the Wimborne Hall Orchestra.

# Wagner - discord and dynasty

Bayreuth, the world's most celebrated music festival, is the focus of a bitter family struggle, writes Andrew Clark

His story is better than any soap opera, and it still has a long way to run. It is about the Wagner clan - a dynasty of loggers, heads of state, and the current head of the clan is Wolfgang, who has just published his autobiography and celebrates his 75th birthday tomorrow. The treasure he guards is the Bayreuth Festival, founded by his grandfather in 1876. The supporting cast is a gaggle of next-generation Wagners, hoping to grab a share of the inheritance when Wolfgang dies.

The festival has long been Wolfgang's personal fief. He chooses the artists, welcomes visiting dignitaries, holds forth in a thick Franconian accent from the stage curtain, and is a formidable presence behind the scenes. Together with his elder brother Wieland, he revived the festival after the second world war, freeing it of its disastrous association with Nazism. He has run it alone since Wieland's death in 1966. Bayreuth has been his life.

For all who work at the festival, Wolfgang is an avuncular, silver-haired figure, who knows his grandfather's opera inside out. To his many critics and enemies, he is the Bayreuth blockhead: stupid, arrogant, unkind and greedy. His family liken him to Father Time, hoarding the gold in *The Ring* - a dragon who will not let them near the treasure. Wolfgang's autobiography, *Acts*, is his attempt to set the record straight - before his children, nephews and nieces (all aged around 50), publish their own bitter versions of the truth. It is a catalogue of gossip and self-justification, a settling of old scores, a point-by-point reaction to years of sniping at him and his second wife Gudrun. He calls it an interim report, a statement of accounts, "as one who is still an active and creative participant". His own Bayreuth productions may be old hat, but he will probably carry on working until he dies.

Despite a jumbled narrative and much pedantic detail, *Acts* is easy to read - but it is unlikely to enhance Wolfgang's reputation. This is no memoir of a worldly-wise philosopher who has risen above the fray, nor does it adequately reflect his vast knowledge and experience. Never having harboured intellectual pretensions, Wolfgang gives a skippy analysis of the festival's artistic development. He was always the *Handwerker*, the plodding journeyman more concerned with safeguarding the archives, balancing the books and consolidating the fabric of the Festspielhaus, than conjuring new artistic visions in the manner of his elder brother.

The book underlines the long shadow which Wieland has cast over Wolfgang's life. It opens, perversely, with a detailed description of the atmosphere and intrigues

surrounding Wieland's death. Wolfgang's claim that their relationship was based on brotherly love carries little conviction. He scolds Wieland for trying to sell priceless manuscripts in 1945, for rejecting their English-born mother after the war, for excluding him from the "freddie chats" at which Wieland decided artistic policy with his cronies. Reading between the lines, one senses Wolfgang's resentment from their earliest childhood, Wieland was the favoured one.

So the picture of Wieland that emerges is cool and compromised. The only references that carry weight are when Wolfgang describes his brother as "unstable of handling financial matters properly", and says Wieland's affair with the young Anja Silja was sparked by her unerring feel for his theatrical ideas.

Wolfgang's vituperative attacks on Wieland's wife and children are tame compared to the hostility he

shows towards his late sister Friedelind. Like the younger-generation Wagners today, her pot-shots from the sidelines were a constant embarrassment. Wolfgang says he never possessed "the fabulous brilliance and absolute predestination characteristic of many other members of the Wagner family. These qualities seem to preclude their involvement in subordinate activities, but have often prompted them to lay vehement but unjustified claim to positions of paramount authority."

And that is why he has done everything he can to stop the next generation succeeding him. For Wolfgang, the survival of the festival is more important than the continuing involvement of the Wagner family. "The mere statement 'I am a Wagner' has long ceased to be an open sesame." In his eyes, none of the younger Wagners has the necessary training or proved their qualifications independently - and few

observers would disagree. Much of the book seems an apology for the irrevocable breach in relations with his son Gottfried and daughter Eva, children of his first wife Ellen. Apart from Gudrun and his parents, the only member of the family to merit affection is his 16-year old daughter Katharina.

The book is a poor reflection of Wolfgang's better side - his openness, his sense of duty, his ability to inspire team spirit - but it does offer some interesting nuggets. The only time the festival orchestra ever went on strike was in reaction to an outburst of abuse from Toscanini in 1951. Free tickets were handed out for some performances in the early 1950s, because there was insufficient demand from the paying public - a far cry from today. When asked to stage the centenary *Ring*, Peter Stein wanted the four parts condensed to two. Wolfgang also reveals that the 1981 *Pommes Trist* (for which he shows little

regard) was the most expensive production ever staged at Bayreuth.

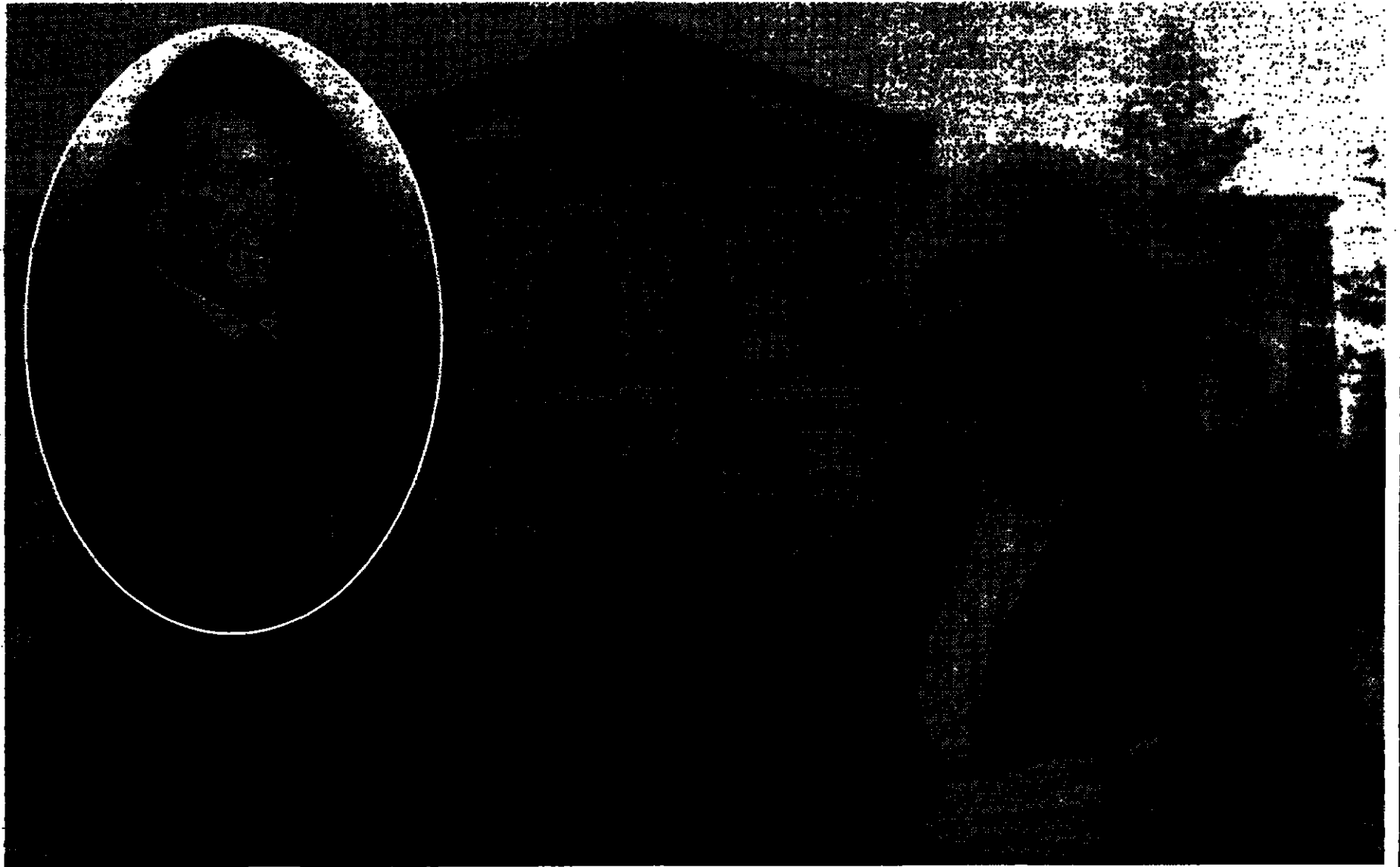
Walter Legge, Peter Hall and Georg Solti ("downright aggressive") are the target of predictable brickbats. Hitler, who made the first of many visits to the Wagner household in 1923, is let off lightly. There are good anecdotes about Knappertsbusch and Krajan, who demanded his own WC and headed his correspondence from the Festspielhaus with the word "management". The dull account of Bayreuth's recent history is leavened by shafts of dogged realism: "If something misfired, the public tended to lay the blame at my door; if it succeeded, I had no part in its success."

One of the book's leitmotifs is the unwavering wisdom of Bayreuth's civic leaders, and their ability to serve the festival's best interests. Most of Wolfgang's life has been dedicated to that same purpose. When the time comes to choose a

successor, Wolfgang will probably not be around to influence the decision. Under the statutes of the Richard Wagner Foundation, which Wolfgang and his mother set up in 1973 to preserve the festival's independence and protect it from family in-fighting, candidates from the Wagner family must be considered, but there is ample leeway to appoint an outsider.

Gudrun, 50, is a possibility - the festival has a history of widows inheriting the mantle of power. However, most Bayreuth observers reckon she will not command enough support within the foundation, which is dominated by public funding bodies. The most likely outcome is that an experienced intendant will be brought in. The link with the Wagner family will be cut. It will be the end of Bayreuth as we know it.

*Acts* by Wolfgang Wagner. Weidenfeld & Nicolson £25, 324 pages



Wolfgang Wagner guards Bayreuth, the fiercely contested legacy of his composer grandfather Richard Wagner

## Perrier Award Lano and Woodley triumph

Worries that the Edinburgh Fringe was degenerating into little more than a comedy festival were relieved this year when a number of consciously humorous productions registered for the Fringe fell sharply. Even so, the annual Perrier Award for the best comedy act on the Fringe always arouses interest and creates considerable ripples.

The joy for the winner is not the money - Perrier gets away very lightly with just £3,000 and a few guaranteed bookings - but the certainty of a sharp rise in performance fees, and the near certainty of a television series. Led by Channel 4, the TV companies have been quick to see the new generation of comedians as cheap material which might just attract the elusive youth audience. Frank Skinner, Sean Hughes and Lee Evans are the most recent Perrier winners to feature prominently on the screens.

On Saturday night, in the unlikely surroundings of the Waverley Shopping Centre, Lano and Woodley were named 1994 winners of the Perrier.

It was something of a shock. Colin Lane and Frank Wood are Australians and unknown in the UK. Their victory is the kind of revelatory discovery which makes the Fringe worthwhile. Perhaps even more encouraging, they are not stand-ups - a form of egotistical paranoia with only incidental links to the comic - which thankfully seems to be in decline.

Lano and Woodley are a double act, firmly in the tradition of other comic acts. Laurel and Hardy, Abbott and Costello and Morecambe and Wise would instantly welcome them to the brotherhood. Lane is the good-looking one who (in his own mind at least) rules all night. Woodley is the screwball, never able to get a date. They live together in comfortable bickering. The act is as wholesome and light-hearted as you could wish. It pleases many and offends none and would comfortably transfer to TV.

Lane and Wood are actors and are able to improvise around the routines. There is audience participation as Woodley tries to prove that he can persuade a girl in the audience to kiss him.

After the years of political correctness, full frontal nudity, and surreal exhibitionism, the Fringe has finally come up with winners in the musical hall tradition. Lane and Woodley can be seen at the Lyric Shaftesbury Avenue in October in a festival of the Perrier short list. Other contestants of the prize, all stand-up comedians, were Alan Davies, Harry Hill, Jeff Green, Owen O'Neill and the American Robert Schimmel.

Tony Thorncroft



### BERLIN

**BERLIN FESTIVAL** (Aug 30-Sep 29). This year's festival (Aug 30-Sep 29) is built on the theme of *La Motte* of the 20th Century, with a special focus on the music of Pierre Boulez and Berthold Goldschmidt. The opening week features the *Maly Drama Theatre* of St Petersburg in two Lev Dodin productions: a commentary on Communist Russia with *Claustraphobia*, and *Fyodor Abramov's* play *The House of the Volksbühne* in the Schauspielhaus. For a complete prospectus, contact the festival office at Rudowstrasse 48, near Kurfürstendamm (2548 9250).

### CONCERTS

**Philharmonie** Tomorrow: the 1994 Berlin Festival opens with a concert performance of Berthold Goldschmidt's opera *Die Gezeichneten* with cast headed by Robert Alexander and Simon Estes, conducted by Lothar Zisch. Wednesday: Daniel Barenboim conducts Berlin Staatskapelle in a variety

Boulez and Beethoven. Frit Cherebini Quartet plays Haydn. Sat and Sun: Vladimir Ashkenazy conducts Berlin Radio-Symphony Orchestra in Mozart and Messiaen. Sat (Kammermusik): Peter Serkin, Pamela Frank and Yo Ma play chamber music by Webern and Brahms. Sun (Kammermusik): Christian Tetzlaff and Heinrich Schiff play sonatas for violin and cello. Next Mon and Tues: Claudio Abbado conducts Berlin Philharmonic Orchestra in a Russian programme. Next Mon (Kammermusik): Alfred Brendel and friends play Mozart's *Piano Quartet K478* (2548 8132). *Quynle-Stadion* Thurs: Phil Collins (208000). *Waldbühne* Fri: Daniel Barenboim conducts Verdi's *Requiem* (200 4762/2035 4494). *Schauspielhaus* Sat and Sun: Rafael Frühbeck de Burgos conducts Berlin Radio Orchestra in works by Berg and Bruckner, with violin soloist Ernst Kovacic (2090 2158).

**OPERA/DANCE** Deutsche Oper The 1994-5 season opens on Thurs with a revival of Albert Reimann's 1992 Kafka opera *Das Schloss*, staged by Willy Decker and conducted by Wolfgang Schütz (repeated Sep 10 and 15). Julia Varady stars in *Un ballo in maschera* on Fri, and Helen Field sings the title role in *Madama Butterfly* on Sat. Katya Kabanova can be seen on Sun and next Wed (341 0249). Staatsoper unter den Linden Roland Petit's Ballet National de Marseille gives guest performances

on Sat, Sun and next Mon. The first opera production of the season is Florian Leopold Gassmann's *L'opera seria*, opening on Sep 9 at Hebbel-Theater (200 4762/2035 4494). *Kammermusik* Opera Repertory performances begin tomorrow with *Die Zauberkraft*. The first new production is Berthold Goldschmidt's *Der gewaltige Hahnrei*, opening Sep 16 (229 2555).

### NEW YORK

**THEATRE** ● Philadelphia, Here I Come! at last, a new show on Broadway - and a play, no less. *Milo O'Shea*, Robert Sean Leonard and Pauline Fanagari star in Brian Friel's drama about the rocky relationship between father and son in rural Ireland. Directed by Joe Dowling. Now previewing, opens Sep 8 (Broadway, 1530 Broadway at 45th St, 369-8400). ● The Two Gentlemen of Verona: summer in New York means free Shakespeare in Central Park, care of the New York Shakespeare Festival. The revamped box office policy means that audiences no longer need to queue all day for tickets, though that was part of the fun. This production of Shakespeare's comedy, directed by Adrian Hall, is now in its final week. Enter the Park at 81st Street and Central Park West or 78th Street and Fifth Avenue (861 7277). ● Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is *Millennium Approaches*, part two *Perestroika*. Played on separate evenings. The cast is headed by F. Murray

Abraham (Walter Kerr, 219 West 48th St, 239 6200). ● Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Salles represent three generations of women trying to sort out their pasts (Promenade, Broadway at 78th St, 239 6200). ● Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200). ● Kiss of the Spider Woman: pop star and ex-Miss America Vanessa Williams has taken over Chita Rivera's starring role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200). ● Crazy for You: a highlight of this giddy entertainment is Susan Stronman's choreography (Shubert, 225 West 44th St, 239 6200). ● Guys and Dolls: a top-notch revival of the 1950 musical about the gangsters, gamblers and good-time girls (Martin Beck, 302 West 45th St, 239 6200). ● Stomp: a loud, aggressive and energetic show in which a troupe of performers dance, clap and generally bang on everything in sight. Far more engaging than you might expect (Orpheum, 126 Second Avenue, 307 4100).

**OPERA/DANCE** New York City State Theatre New York City Opera's autumn season opens on Sep 8 and continues till Nov 21. There will be new productions of

Borodin's *Prince Igor* (Sep 10) and Bernstein's *Wonderful Town* (Nov 8). Repertory also includes *Die Zauberkraft*, *Il barbiere di Siviglia*, *Carmen*, *Tosca*, *Dei due* *L'almé* and *Boito's Mefistofele* (870 5570). Metropolitan Opera The 1994-5 season begins on Sep 26 with a gala featuring Placido Domingo in Puccini's *Il Tabarro* and Luciano Pavarotti in Leoncavallo's *I Pagliacci* (362 8000).

### CONCERTS

**Avery Fisher Hall** The New York Philharmonic's season begins on Sep 21. The orchestra's music director, Kurt Masur, conducts the first three weeks of concerts (875 5030). **Carnegie Hall** The new season begins on Sep 29 with a concert by the Academy of St Martin in the Fields, with mezzo Cecilia Bartoli (247 7800).

### PARIS

**OPERA** The 1994-5 season at the Opéra Bastille opens on Sep 19 with Nicolas Bruger's new production of Simon Boccanegra - conducted by Simone Young, who takes the place of recently-dismissed Bastille music director Myung-whun Chung. The title role will be sung by Vladimir Chernov (10 performances till Oct 14). Bob Wilson's version of *Madama Butterfly* is revived on Sep 29. The season also includes *La nozze di Figaro*, *Lucia di Lammermoor*, *La Damnation de Faust*, *Un ballo in maschera*, *Iphigénie en Tauride*, *Die Zauberkraft* and *Capuleti e i Montecchi* (4473 1300). The new Ring production at

the Châtelet continues with Siegfried on Oct 14 and *Götterdämmerung* on Oct 16. There will be two complete Ring cycles between Oct 31 and Nov 13 (4028 2840).

### DANCE

The Paris Opéra Ballet's 1994-5 season takes place mainly at the Opéra Bastille. It opens on Oct 25 with the traditional Grand Défilé, followed by Balanchine's *Le Palais de cristal* (Symphony in C) to Bizet, *The Four Temperaments* to Hindemith and Jerome Robbins' *Glass Pieces* to Philip Glass (12 performances till Nov 17). The season also includes a young dancers programme, Nureyev's production of *Swan Lake*, a triple bill including works by Balanchine and Martha Graham, John Neumeier's *Magnificat* and a Nijinska-Nijinsky programme (4742 5371).

### CONCERTS

Semyon Bychkov conducts the Orchestre de Paris in the first concerts of the new season at Salle Pleyel on Sep 14 and 15, with piano soloist Radu Lupu (4561 0630).

### FESTIVAL D'AUTOMNE

This year's festival runs from Sep 20 to Dec 30. Highlights include Peter Stein's Moscow staging of the *Oresteia*, a Robert Lepage production, a Bob Wilson adaptation of Dostoyevsky, and *The Merchant of Venice* directed by Peter Sellers. The dance programme includes Trisha Brown Dance Company, and there is a special focus on the music of György Kurtág (Festival d'Automne à Paris, 158 rue de Rivoli, 75001 Paris. Tel 4296 1227 Fax 4015 9288).

### ARTS GUIDE

**Monday:** Berlin, New York and Paris.  
**Tuesday:** Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
**Wednesday:** France, Germany, Scandinavia.  
**Thursday:** Italy, Spain, Athens, London, Prague.  
**Friday:** Exhibitions Guide.  
**European Cable and Satellite Business TV** (Central European Time)  
**MONDAY TO FRIDAY** NBC/Super Channel: FT Business Today 1930; FT Business Tonight 1730, 2230  
**MONDAY** NBC/Super Channel: FT Reports 1230.  
**TUESDAY** EuroNews: FT Reports 0745, 1315, 1545, 1815, 2345  
**WEDNESDAY** NBC/Super Channel: FT Reports 1230  
**FRIDAY** NBC/Super Channel: FT Reports 1230  
**SUNDAY** NBC/Super Channel: FT Reports 2230  
Sky News: FT Reports 0430, 1730.



## Strict agenda for jobs



PERSONAL VIEW

The current debate on full employment is in danger of starting off with the wrong agenda. Full employment cannot be achieved simply by deregulating the labour market or cutting labour costs.

The basic problem has been the level of demand, not the cost of labour. If the demand for products were higher most firms could profitably produce more at the same price and wage levels, either by utilising existing capacity more fully or by installing new - and more efficient - capacity.

To restore full employment the first prerequisite is to reverse the deflationary bias of monetary and fiscal policy, which was the prime cause of the rise in unemployment in the first place.

The fall in tax receipts and increase in social security costs during the recession has meant, however, that fiscal policy has become dominated by a desire to reduce borrowing, irrespective of whether further deflation is appropriate. This has now reached the point where it is being widely suggested that the government should cut taxes when recovery is well under way and revenue is higher, rather than during the recession when the economy needed a stimulus.

But while higher demand is an essential condition for reducing unemployment, it is not in itself a sufficient remedy. The deflationary fiscal and monetary policies which raised unemployment during the 1980s were adopted to counter inflation. We cannot expect to reverse them without finding alternative means of avoiding inflation. Post-war experience, in the UK and elsewhere, shows that to avoid a wage-price spiral with low levels of unemployment some form of co-ordinated pay bargaining is essential. Only by taking a national, rather than a purely local, view will the common need to avoid inflation be taken into account.

Despite the government's optimism about inflation, the increasing fragmentation of wage bargaining in recent years has made a renewal of

the wage-price spiral more, rather than less, likely as recovery gets hold.

Making pay more sensitive to market conditions may hold down wages when demand is weak, but it makes them more likely to increase rapidly again when recovery takes off. Far from being a means of securing full employment, decentralised and deregulated labour markets make continued mass unemployment the only means of keeping down inflation.

The wage-price spiral is, however, only one source of inflation. The other is the danger of running up against shortages of capacity. The prolonged period of heavy unemployment has left us without sufficient capacity to employ the available labour force. The need today is for investment in additional capacity. The experience of the 1980s, however, is bound to make managers cautious, as the recent CBI and Bank of England surveys of target rates of return indicate.

A more plentiful supply of equity capital and less reliance on loans and overdrafts could help smaller companies survive any temporary recessions. But with larger companies, it is primarily a case of the UK and other governments being able to demonstrate their determination to follow more expansionary policies. Only the US has as yet shown any signs of moving in this direction. As long as any recovery is likely to be halted in mid-stride for fear of inflation - as talk of higher interest rates suggests - companies will be reluctant to invest in new capacity.

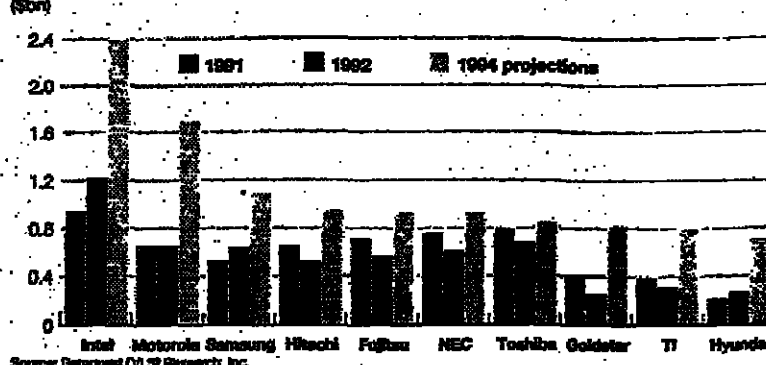
If the restoration of full employment is to be more than empty rhetoric, fundamental changes in attitudes are essential, with a greater willingness to adopt co-operative solutions to economic problems. The CBI and the TUC could make a big contribution by ignoring pejorative comments about a "return to corporatism" and by sitting down together to thrash out an understanding on pay for the private and public sectors. If this is "politically impossible", then so is full employment.

John Grieve Smith

The author is senior tutor of Robinson College, Cambridge.

## Chip makers are increasing capital spending...but demand is rising fast

Top 10 capital spending (\$bn)



Source: International Semiconductor Research, Inc.

A \$150bn dollar question is hanging over the future of the world semiconductor industry. This is the amount that most industry executives say must be spent on new chip plants over the next five or six years if production is to keep pace with projected demand. But there are doubts manufacturers will spend it.

Chip makers worldwide are expected to spend a record \$18bn on new plant and plant expansions this year. Even at this rate of capital investment, however, the industry is unlikely to achieve its end-of-century goal, prompting a top executive to predict a serious shortage of semiconductor chips.

It is either a lack of resources or a lack of guts that is holding back semiconductor industry capital investment, says Dr Gordon Moore, chairman and co-founder of Intel, the world's largest chip maker. Whatever the reason, he believes that "investment is far from that required to sustain the growth in silicon processing".

The shortfall has potentially broad economic implications, far beyond the bounds of the chip industry. Sometimes described as the "crude oil of the information age", semiconductor technology fuels the entire \$700bn a year electronics sector, which includes computers, telecommunications and consumer electronics. A wide range of industries that rely upon electronics for factory automation or information processing could also feel the effects.

"Either the [semiconductor] industry growth will slow, or we are entering a period of high undercapacity," says Dr Moore. His "Moore's Law", which describes the advance of chip technology in terms of a doubling of the number of transistors per silicon chip every 18 months, has held true for more than two decades.

Indeed, world semiconductor sales have grown at an average 16 per cent a year over the past 20 years, despite cyclical peaks and troughs in the market. This year, worldwide merchant semiconductor sales (excluding chips produced by companies for their own use) are expected to top \$100bn.

By 1998, world chip sales are projected to reach \$160bn and industry revenues are projected to be about \$225bn by 2000, according to Integrated Circuit Engineering, a semiconductor market research group.

## Tension rises when the chips are down

Louise Kehoe on increasing fears that world demand for semi-conductors is set to outstrip manufacturers' capacity

ected to reach \$160bn and industry revenues are projected to be about \$225bn by 2000, according to Integrated Circuit Engineering, a semiconductor market research group.

What is harder to predict is where the greatest increases in demand for chips will be. Today the surge in personal computer sales is driving growth in the semiconductor industry, and most observers expect that PCs will continue to be the biggest market for chips for many years. But these tiny squares of silicon etched with microminiature electronic circuits are now ubiquitous, hidden within the works of everything from cars to communications satellites.

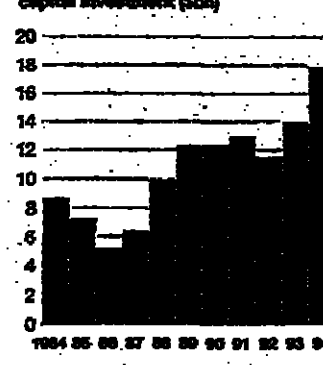
Future products that might consume huge quantities of semiconductor devices include TV "set top boxes" that link homes to information superhighways and pocket telephones, which are expected to be as common as blue jeans early next century.

Even if forecasts for semiconductor demand are optimistic, chip makers will have to invest more heavily if they are to continue to produce ever more complex devices. Only the newest, state-of-the-art fabrication plants - "fabs" in industry jargon - can produce the latest generations of microprocessors and memory chips.

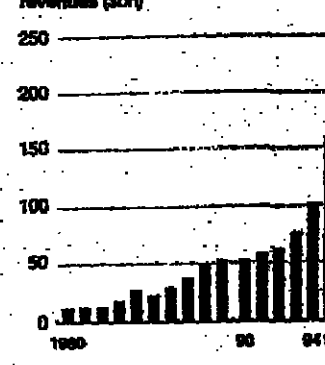
Already, there is a shortage of "advanced" chip production capacity, says Mr Dan Hutcheson, president of VLSI Research, a semiconductor industry consulting group whose clients include the Clinton administration. "And there will continue to be a shortage of capacity for the foreseeable future," he says.

Obsolete plant is not being replaced

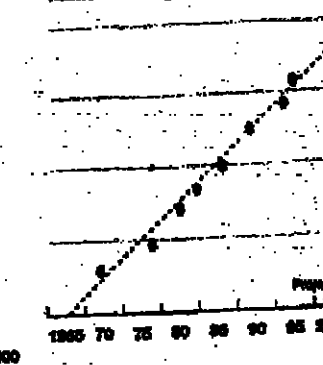
Worldwide semiconductor capital investment (\$bn)



Worldwide semiconductor revenues (\$bn)



Escalating cost of semiconductor manufacturing facilities (\$m)



Source: International Semiconductor Research, Inc.

or upgraded sufficiently quickly, says Mr Hutcheson. It will take 50 years to replace all of the "fabs" needed for production at current capital spending rates, he predicts.

The biggest problem facing the chip industry is the rapidly rising cost of new plant, as equipment becomes more sophisticated to meet ever more exacting specifications. Since the mid-1970s the cost of building a state of the art, economically viable new chip "fab" has risen from about \$20m to as much as \$1bn. And the cost continues to climb "almost exponentially", says

**'Either the industry growth will slow, or we are entering a period of high undercapacity'**

Dr Moore. "We are well on our way to \$2bn semiconductor plants."

Intel estimates it will spend about \$5bn to produce its latest Pentium microprocessors, the brains of powerful PCs, in peak volumes. This is five times the cost of peak production of the current generation of 486 microprocessors. Mitsubishi, a Japanese chip maker, says it will need a \$15bn investment in order to be able to produce one gigabit memory chips (devices that can store 1,000m bits of information) around 2000.

Despite the rising cost of chip production, however, the industry's rate of capital spending has remained fairly constant over the past 10 years at about 20 per cent of revenues.

As costs rise, the number of companies that can afford to participate in the semiconductor industry is dwindling, so limiting the industry's sources of investment. Only a few "big spenders" remain. These include Intel, planning capital expenditure this year of \$2.4bn, and Motorola, the second largest US chip maker, with a \$1.7bn capital budget. Korean and Taiwanese semiconductor producers are also rapidly expanding production, with Samsung, the Korean producer, setting the pace with planned investments this year of about \$1.1bn.

Lagging the rest of the industry are most Japanese chip makers. After leading the world in semiconductor capital spending throughout the 1980s, the Japanese industry halted most of fresh capital investment in 1992 when its domestic economy went into recession.

"For years, Japanese conglomerates could afford to allow their semiconductor divisions to spend freely on capital additions, even through downturns in the semiconductor market," says Bill McClean of Integrated Circuit Engineering. Since 1992, however, the non-semiconductor operations of the Japanese conglomerates have performed poorly, drying up the source of capital for their semiconductor operations. Japanese companies are starting to invest again, and are expected to spend about ¥655bn (\$6.5bn) this year on new plant for chip manufacture, up 17 per cent on last year but still 24 per cent below 1991 investment levels.

In an ironic reversal of fears in the mid-1980s that Japanese companies would dominate the semiconductor

market, US chip makers now worry that some Japanese companies will scale back their investment, creating a void that may be hard to fill.

For those companies staying in the market, particularly the few that can afford to build \$1bn plants at the rate of about one each year, the semiconductor business is becoming increasingly profitable. Intel recorded pre-tax profits of almost \$2bn, or 36 per cent of revenues, for the first half of this year, an industry record. Korea's memory chip makers are also reaping the rewards of their heavy investments in manufacturing capacity, says Mr Hutcheson, with profit margins on Dynamic Random Access Memory chips topping 30 per cent.

Dr Moore looks forward to the day when the price of Intel's chips will reflect their performance and be "based on the value of the product, rather than its manufacturing costs". While price based on product value may not be unusual in other industries, it is a radical departure from trends in the semiconductor business.

For as long as anyone can remember, the "price per bit" - a measure of the cost of the computing power or storage capacity of a semiconductor chip - has been declining. Today, the price of a 4 megabit memory chip today is about the same as the 1989 price of a 1 megabit memory chip. In other words, the price per bit is a quarter of what it was five years ago.

If this trend were to be reversed, it could lead to some big changes in the computer industry. No longer, for example, would the average selling price of PCs decline while computing power increased.

"By about 2003 or 2004 we are going to see the real cost of computing power turn upwards," Mr Hutcheson predicts. "We are going to see a massive increase in chip prices."

In an industry where one year forecasts are suspect, predictions beyond 2000 must be regarded as speculative. Nonetheless, it appears that unless there is a significant increase in capital investment in the semiconductor industry over the next few years, the era of ever cheaper chips may be drawing to a close.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### One other choice for Rempoy

From Elaine Cruikshanks

Sir, I was saddened by the statement by Rempoy's chief executive that, while he had known about the UK government's intention to axe the priority scheme for companies employing disabled workers for more than a year, he had assumed that he had no choice but to accept the government's plan ("Rempoy chief hits back at Portillo", August 24).

Clearly one can criticise Mr Michael Portillo's action, as Mr Worthey is now doing. However, it is regrettable that the chief executive of Rempoy should unquestioningly have accepted the words of the UK employment minister, without

having recourse to the European Commission, at whose door the blame for withdrawal of the scheme is being laid. Had he done so, he might have learned that the German government is drafting a law based on the UK scheme, apparently with the European Commission's blessing.

As many companies and organisations with a representation in Brussels can confirm, the very reason for having independent sources of information is that government and industry viewpoints on issues will inevitably diverge.

While the easiest and most comfortable methods of keeping abreast of policies which

affect British industry would be through UK government departments, it pays to remember that political expediency or opportunity may often direct ministers' policies and actions.

For this reason, Mr Worthey's sad testament should be taken to heart, not only by Rempoy's employees, but also by other British industry organisations not active in Brussels.

Elaine Cruikshanks, managing director, Hill and Knowlton International Belgium, International Public Relations Counsel, 1060 Brussels.

### NVQs and sales professionalism

From Mr Richard Berry

Sir, Your report on the professionalism of salespeople, or lack of it, ("Unloved and incompetent", August 25) is, sadly, largely true. The Kinaird survey findings are similar to those of the Sales Qualifications Board's survey, published last year at the launch of the first sales NVQs.

Apart from the self-employed sector, total employment costs, last year, of the UK's 400,000 salesmen and women, were \$11.8bn - 4 per cent of their companies' total sales revenue and, in many cases, their largest overhead. Our survey showed that less than 5 per cent had any recognised qualification in selling and that none of these qualifications were to any nationally agreed standard of competence.

The sales NVQs now on offer, have been designed not just to focus training on the essential competencies required of salespeople in any industry, but to give salespeople the opportunity to be part of a recognised profession. More than 300 companies have embarked on the process of becoming assessment centres for sales NVQs, which shows that the industry does recognise the problem.

Richard Berry, Sales Qualifications Board, London, WC2 9DP

### Blind users of blank tapes object to levy

From Mr Ian Bruce

Sir, I write to refute the point made by Wayne Bickerton of the Music Copyright Reform Group (Letters: August 24) that blind users of blank tapes would not be hit by the European Commission's proposals on the introduction of a blank tape levy.

Access to information is one of the main problems facing the 1m blind and partially sighted people in the UK - tape often provides the solution. The importance of tape is increasingly acknowledged by

information providers; and it is vital to encourage further use of tape as a communication medium. It is clear that the majority of visually impaired people do not infringe copyright in their use of tape.

The MCRG claims that the proposal will allow member states to exempt, or compensate blind users of tape. The Royal National Institute for the Blind has consistently opposed the introduction of a blank tape levy because we are unconvinced that it is possible to create a comprehensive and work-

able exemption scheme, due to cost and bureaucracy problems.

RNIB therefore feels that the difficulties of developing an exemption scheme raise serious questions about the introduction of a blank tape levy. It believes there can be no justification for a levy when blind people use tape for the purposes of overcoming disability.

Ian Bruce, director general, RNIB, 224 Great Portland Street, London W1N

### Fundamental revision of water charging is required

From Dr Alan Holmans and Mrs Stephanie Holmans

Sir, Professor John Kay (Personal View: "Clever trick but the cracks remain", August 16) pointed out that a large part of the water industry's present investment programme comprises environmental capital expenditure. Householders are not simply paying for water and sewerage services, as they are for gas and electricity supplies. They are also paying for purer water and cleaner rivers and beaches. In this respect water charging is fundamentally different from gas and electricity pricing.

It is the principal reason why there are "inflation plus" price limits for the water companies, as against "inflation minus" for British Gas and the regional electricity companies. It is also the main reason for

much larger inter-regional disparities in water charges than in the charges of other utilities.

Water charges have to cover two separate sets of capital expenditure - to meet a growing demand and improve security of supply, and to produce environmental benefits. The former is the normal activity of a utility, similar to that of the gas and electricity industries. Environmental benefits, however, are "public goods" (available to all, whether or not they have paid for them). Ideally, public goods should be tax-financed. But water charges contain a large compulsory element, because water is a natural monopoly with no real substitute and is also a necessity.

If the environmental component of water charges is

treated as a *de facto* tax it performs poorly in terms of accepted tax principles. There are arbitrary geographical disparities. Because most domestic water charges still depend on the former rateable value, their incidence is regressive. Rate rebates mitigated the regressiveness of domestic rates. There is no similar scheme for water charges.

When rates were the local tax, the rate support grant system included an equalisation element to produce equal rate poundages for equal expenditure, in relation to need, across all authorities. The costs and finances of purer water and cleaner rivers and beaches should also be equalised nationally. Present arrangements produce pooling within each water company's territory. Different geographical

and historical factors account for large arbitrary differences in individual water companies' environmental expenditure and water charges which are not compatible with principles of equitable taxation.

Amendments to the 1989 legislation would be needed if water charges were to be split into two parts. The "tax" component of water charges should be based on national equalisation of environmental costs and finances. It should also be related more closely to the ability to pay, via a rebate scheme. The charges for water utility services, on the other hand, could continue to be determined by Ofwat within the existing regulatory framework.

Alan Holmans, Stephanie Holmans, London SE3 9DL

# Medical Specialists will get a boost out of Singapore. See what perks you up.

The World Congress on Tourist Medicine and Health won't be the only successful convention that showcases Singapore as Asia's leading meeting destination. Each month there are new exhibitions, new conferences and new meetings where you can exchange the latest on your industry or products. Not to mention a whole new world of entertainment in the city where the best of the East and West come together. Convention City Singapore. Where the pulse is beating.

#### CONVENTIONS 1995

- 24-26 January 1995  
CINEASIA '95
- 14-16 February 1995  
Trenchless Asia '95
- 21-24 February 1995  
1st International Conference on Power Electronics & Drive Systems (PEDS '95)
- 23-26 February 1995  
11th World Congress on Paediatric and Adolescent Gynaecology

- 1-3 March 1995  
International Power Engineering Conference (IPEC '95)

- 14-15 March 1995  
Pacific Rim Pest & Weed Control Expo & Conference '95

- 19-23 March 1995  
IUVDT World STD/AIDS Congress 1995

- 24-26 March 1995  
2nd Singapore International Orthodontic Congress

- 30-31 March 1995  
SIBCON '95 - 7th Singapore International Bunkering Conference

#### EXHIBITIONS 1995

- 10-12 February 1995  
Singapore Taipei International Coin Convention & Exhibition

- 14-16 February 1995  
World of Concrete Asia '95

- 21-24 February 1995  
PlasticTechnology Asia '95

- 7-9 March 1995  
SEMICON/Text, Assembly & Packaging '95

- 23-26 March 1995  
Golf Asia '95

- 29-31 March 1995  
Intercean Asia

I want to be at the heart of your forthcoming events.

Please send me:  
☐ more information about the Conventions & Exhibitions indicated  
☐ the Singapore Convention & Exhibition Calendar

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

Tel: \_\_\_\_\_ Fax: \_\_\_\_\_

ATTN: \_\_\_\_\_

The Singapore Convention Bureau,  
1st Floor, Convent House,  
126-130 Regent Street,  
London W1R 9PE, United Kingdom.  
Fax: (071) 734 2191.

CONVENTION CITY  
**Singapore**  
Where the world comes together.



مكتبة الامم المتحدة











Plain English Campaign's  
3rd International Conference  
Washington DC  
19-20 October 1994  
Telephone 0663 744409  
for details

# FINANCIAL TIMES COMPANIES & MARKETS

**telia**  
Your Swedish Telecom Partner  
UK Tel: 071 416 0306. UK Fax: 071 416 0305.

© THE FINANCIAL TIMES LIMITED 1994

Monday August 29 1994

## MARKETS THIS WEEK



**BRONWEN MADDOX:**  
**GLOBAL INVESTOR**  
In suggesting that banks should reveal more about their use of volatile financial instruments, US bank regulators and congressmen have struck a popular chord. However they may have set themselves an impossible task. There is little sign that the methods they are considering will prove useful; some may, in fact, prove counterproductive. Page 18



**MARTIN WOLF:**  
**ECONOMIC EYE**  
For president Clinton, the chief objectives of foreign policy are economic: the goal is increased exports, and the benefit of those exports is "good jobs". Along with these simple goals goes an equally simple approach. The administration wants results, above all from Japan. Page 18

**BONDS:**  
The Bundesbank's "interest rates horizon" - which Mr Hans Tietmeyer, the bank's president, described in May as "clear for some time" - is beginning to look a long way away. There is a growing consensus among Frankfurt economists that the next discount rate change is unlikely to come until after the federal elections in October. Page 20

**EQUITIES:**  
Whatever the cause of last Wednesday's surprising 70-point surge by the Dow Industrials, it has sparked what may turn out to be a long upturn in share prices. UK market analysts have turned their attention from interest rates to corporate earnings and dividends, about which they are optimistic. Page 21

**EMERGING MARKETS:**  
After a burst of activity earlier this month, China's fledgling stock markets have slid back under the weight of negative economic news. Page 18

**CURRENCIES:**  
Foreign exchanges will focus this week on Thursday's Bundesbank council meeting which will help investors decide on the outlook for European interest rates. Page 19

**COMMODITIES:**  
Anticipation of the expiry of labour contracts on Wednesday at Falconbridge of Canada, has been one of the few constructive factors for the nickel market in recent weeks. Page 18

**UK COMPANIES:**  
T&N, the UK engineering group, is believed to be in talks with Metallgesellschaft over the potential acquisition of the troubled German giant's 47 per cent stake in vehicle components maker. Page 16

**INTERNATIONAL COMPANIES:**  
Oerlikon-Bührle, the Swiss weapons, engineering and retailing group, has forecast a "clearly improved" operating result. Page 17

STATISTICS	
Base lending rates	27
FT-A World indices	18
FT Guide to currencies	19
Foreign exchanges	27
London recent issues	27
London share service	27-29
Managed funds	23-27
Money markets	27-29
New int bond issues	20
World stock mkt indices	22

## This week: Company news

### VOLVO

#### Cruising speed picks up after a rough ride

Volvo, Sweden's biggest manufacturer, will make its contribution tomorrow to a post-recession surge in half-year profits from Swedish companies when it announces its results for the first six months.

Analysts expect a pre-tax profit - excluding capital gains - of between SKr1.3bn (\$850m) as the car and truck maker rides a boom in sales, especially in the US, its biggest market, and Sweden, and cashes in on painful cost-cutting measures taken over the past three years and the weakness of the Swedish krona.

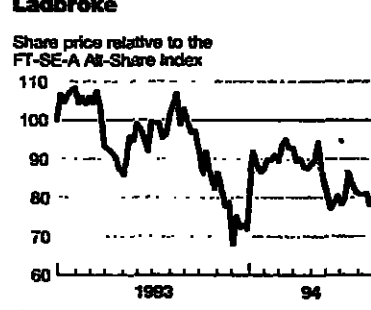
In addition, the pre-tax figure will be doubled thanks to a SKr1.4bn capital gain mainly stemming from the disposal in April of Volvo's controlling stake in Cardo, an investment group sold to Incentive, an industrial arm of the Wallenberg family empire. The Cardo sale was the first major step taken by Volvo in its move to shed SKr400m of non-core activities by the end of 1995 to strengthen its capital base.

The decision to refocus on its traditional vehicle making followed a wholesale strategic rethink carried out early this year following the traumatic collapse in December of a plan to merge Volvo cars and trucks with France's Renault. Investors will be looking to hear more from Volvo on its plans for the disposal of its two biggest non-core holdings - BCF, a food and drinks group, and its 25 per cent stake in Pharmacia, the pharmaceuticals group.

Volvo has yet to answer what models it will develop to extend its range of only three basic car models. But for the time being, it is cruising faster than it has done since the 1980s and analysts do not expect the present profits spurt to peak until late 1995 or 1996.

Meanwhile, both Pharmacia and Astra, the drugs group which has been a star in the Wallenberg firmament for several years, will report six-month results on Wednesday.

### Ladbroke



#### Odds shorten on Ladbroke casino buy

It would be a brave gambler that took a bet against Ladbroke announcing its return to the UK casino business when interim results are announced on Thursday. Less certain is the extent to which the group will suffer from a downturn at its DIY chain, Texas Homecare.

The UK-based leisure group is expected to announce a 31 per cent drop in group pre-tax profits before exceptional items to about £43m (\$66.7m).

Analysts are looking for Texas to return profits of about £3.5m, against more than £15m last time.

Rumours abound of a sharp upturn in credit betting during May and June. Expectations are that this will leave the betting business at least as good as last year's £40.5m, and perhaps even better.

While the dividend is likely to come down from 4.9p to 2.5p, this has been widely expected since the drastic cut at the year-end. Overall, analysts expect the full-year dividend to be higher than last year's reduced payout of 6p, down 46 per cent.

The real interest in these results will be the expected announcement of the purchase of three London casinos for about £50m. Ladbroke needs the acquisition if it is to get into the rapidly growing US gambling market. Approval by the UK authorities, which expelled Ladbroke 15 years ago, would give the group the credibility it needs in the US and abroad.

### OTHER COMPANIES

#### Appetites whetted by Sandoz acquisition

Sandoz, the Swiss pharmaceutical and chemicals group, has already revealed that its first half sales were up only 2 per cent to SFr3.22bn (\$6.2bn). A more complete interim statement is expected late this week from the group.

Following the completion last week of its SFr4.7bn acquisition of the US baby food maker Gerber Products, some indication of its impact on full year results would be welcomed.

■ **Rabobank:** The Dutch co-operative bank will today publish its results for the first half, bringing to a close the reporting season for the Netherlands' three major banks. Rabobank's main competitors, ING Group and ABN-Amro, last week reported earnings at the top end of analysts' expectations, despite the impact of bond market turbulence in the first quarter.

■ **Alusuisse-Lonza:** The diversified Swiss industrial group, and an analysts' favourite for several months, will report on its first half at a press conference tomorrow. After a disappointing 1993, a very strong recovery is expected this year as the group continues to build up its packaging business, and move away from aluminium.

■ **Swiss Bank Corporation:** Georges Blum, appointed chief executive of SBC last year, seems to be having a tougher time than he expected bringing order to Switzerland's third largest bank. The 45

Companies in this issue	
Alusuisse-Lonza	15
Anglo-American Corp	15
Bailly Gifford Stn	16
Braine (TF & JH)	16
British Steel	16
Dana Corporation	16
De Beers	14
Del Monte Food Int	15
Eastern Electricity	16
Fletcher Challenge	15
Ford	15
General Motors	15
Heerema	16
Kolbenschmidt	16
Ladbroke	15
MTL Instruments	16
Metallgesellschaft	16
Norsk Jern Holding	16
Norsk Stal	16
Rabobank	15
Richards	16
SSAB	16
Sandoz	15
Smith Bank Corp	15
T&N	16
Telematic Systems	16
Volkswagen	15
Volvo	15
Wywale Gdn Centres	16

## Del Monte seeks European partner

By Kenneth Gooding,  
Mining Correspondent

Anglo-American Corporation, South Africa's largest group, hopes to double the turnover of its Del Monte Food International arm through a merger with a European foods company.

Anglo, which is heavily dependent on minerals, moved into the global branded foods market when it paid \$240m for its share of Del Monte in 1992.

Mr Graham Boustred, Anglo's

deputy chairman, says that if the merger, due to be completed in three months, goes ahead it will double DMFI's annual turnover to £1bn. He hopes organic growth will add another \$500m.

Del Monte used to be owned by RJR Nabisco, but was sold off piecemeal - the fresh fruit business going to Polly Peck, for example. Anglo and South Africa's Royal Foods acquired DMFI for \$330m (\$560m) from a management buy-out. Anglo owns 26.5 per cent of Delhold,

DMFI's South African parent. DMFI cans fruit and beverages in Kenya and the Philippines as well as South Africa and its strongest markets are Italy and the UK. Mr Boustred says the potential merger would add strength in Germany and the Benelux countries.

The enlarged DMFI hopes to move into mainland China where Mr Boustred says there is a growing demand for fresh fruit drinks. It plans to build a beverage plant in Shanghai with a local partner.

Mr Boustred describes DMFI as a good hedge against the performance of the financial rand because most of its sales are in Europe. He reckons that the business is now worth £100m more than was paid for it even though on the Johannesburg stock exchange the shares are below the price at which they were issued.

South Africa's 15 years of political isolation left the Del Monte plant in the country lagging behind internationally. Mr Carlo

Zingaro, an Italian who has worked for Del Monte since 1985, has been installed as managing director and brought with him a team of European experts.

Last year R26m (£3.62m) was spent upgrading the plant at Tuller, which cans 70,000 tonnes of fruit a year. It is South Africa's biggest plant of its kind, responsible for 40 per cent of the country's canned fruit exports. Mr Zingaro says another R18m will be needed to continue the upgrading.

## Kevin Done reports on the German carmaker's efforts to catch up in an important race

### VW pins some big ambitions on a small car

Several thousand Volkswagen dealers from across Europe are converging on a Paris race course in the Bois de Boulogne this week.

It is not for a flutter on the horses, however, but for the high pressure launch of the new VW Polo, which the German carmaker hopes its dealers will soon be selling in sufficient numbers to transform VW from an also-ran in west Europe's fiercely competitive small car market into a front-runner.

The VW group, which includes Audi, Seat and Skoda, may be Europe's biggest carmaker, but as an individual brand VW is ranked only third behind the Opel make (Vauxhall in the UK) of General Motors and Ford.

In the small car segment of the European market, VW was languishing in sixth place with the old Polo last year. As the car humped along to the end of its life-cycle, its sales dropped by 39.8 per cent to only 186,000, according to Automotive Industry Data, the UK-based analysts.

By contrast, sales of the market-leading Ford Fiesta, were

more than double Polo sales at 452,000, with the Renault Clio close behind at 441,000.

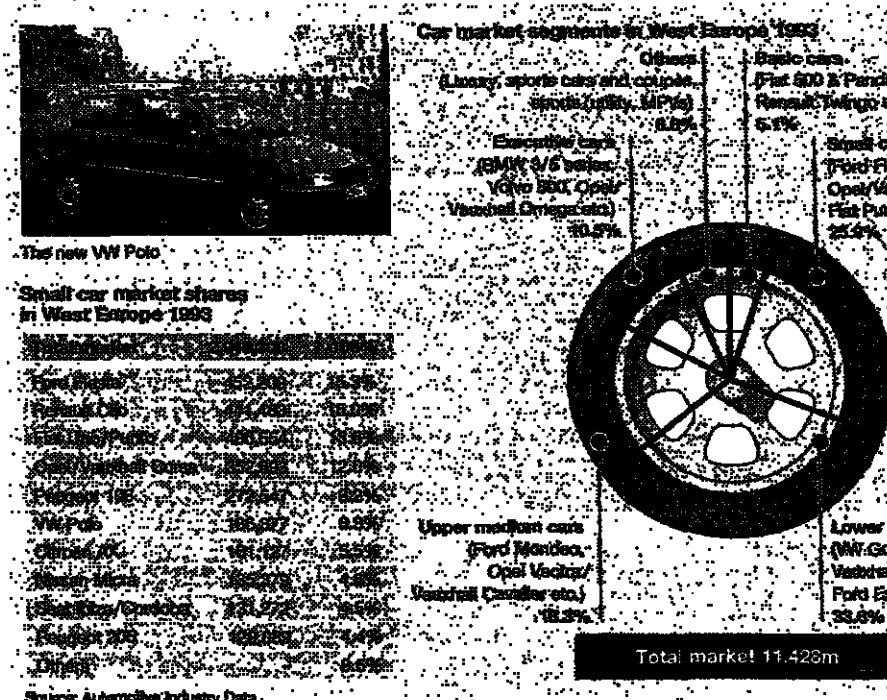
VW has a lot of ground to make up. Even though it will have the newest car in the market, it faces tough opposition with both GM and Fiat changing the shape of the Opel/Vauxhall Corsa and the Fiat Punto in the last 18 months.

It is vital for VW to achieve a breakthrough in this segment, where superminis (Fiesta, Corsa, Punto etc) and minis (Fiat Cinquecento, Fiat Panda, Renault Twingo etc) account for 31 per cent of all the new cars sold in Europe.

With the new Polo, VW dealers will be able to meet the competition on a more level playing field. Its predecessor was long overdue for replacement having been launched 13 years ago, and VW had never proved capable of meeting the demands of the market-place in this segment.

VW's UK import subsidiary maintains that with the old model Polo, it could only cover 29 per cent of the market-place. With the new car it will be able

### New VW Polo enters a fiercely competitive market



to cover virtually the entire market and offer for the first time a host of features common among rival models such as five doors, automatic transmission, anti-lock braking, power-assisted steering, driver and passenger airbags, air conditioning, central locking and

electric windows. Mr Dieter Dehloff, director of marketing for the VW brand, says: "We want to make the new Polo into a real high volume model and to use it to open doors to new customers." The group is aiming to increase

sales of the Polo to at least 350,000 in 1995 from the 186,000 achieved last year. Most of the output will come from VW's Spanish plant at Pamplona with output next year targeted to reach at least 1,040 a day on two

Continued on Page 17

## UK housebuilders look forward to profits surge

By Andrew Taylor,  
Construction Correspondent

Pre-tax profits of UK housebuilders could rise by more than three-quarters this year and by almost another half in 1995, according to a survey by Savills estate agents.

Longer term, the brokers are concerned about land prices which have risen by an average of 35 per cent across the country, according to a survey by Savills estate agents.

Credit Lyonnais says that housebuilders may have to accept reduced returns on capital if low inflation continues.

This follows warnings from Mr Eddie George, governor of the Bank of England, who says that industry and commerce risk missing profitable investment opportunities if they continue to expect high returns.

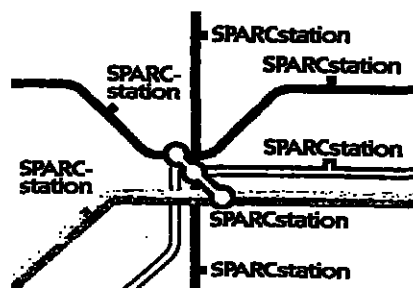
Land prices started to rise as companies restocked after the recession. Since February 1993 construction companies have raised more than £2bn (\$3.1bn) in share issues, of which \$500m has been identified for housebuilding.

This is sufficient to build an extra 15,000 homes a year, about 10 per cent of the annual new build programme, says Credit Lyonnais.

Housebuilders' league, Page 16

### MORSE

## The City Network.



**M**UST run on time. Can't tolerate delays. Stations work all night.

The station bankers and traders choose the Sun SPARCstation. Latest of the line is the SPARCstation 20. Faster, more powerful than ever before. More than 9000 applications are available for SPARC, making it the ideal platform for shunting stock, currency, bonds or commodities around.

Morse Computers make sure stations on City networks, work. Get a ticket to a Morse Technology Day and see how.

**Sun**  
Authorised Reseller

Morse Computers. 081-676 0404.

Handwritten signature or mark.



## COMPANIES AND FINANCE

# T&N in talks to acquire German stake

By Tracy Corrigan

T&N, the engineering group, is believed to be in talks with Metallgesellschaft over the potential acquisition of the German company's 47 per cent stake in Kolbenschmidt, the vehicle components maker.

The talks are likely to intensify following reports that Metallgesellschaft's agreement to sell its stake to Dana Corporation of the US has run into difficulty.

It is believed that talks between T&N and Metallgesellschaft have been in progress for about six months, and continued even after the German company came to an agreement with Dana.

T&N said: "This is speculation and we cannot comment." The stake in Kolbenschmidt was put up for sale in January by Mr Kajo Neukirch, who

was brought in by creditor banks to salvage the ailing German engineering giant. It had suffered huge losses, totalling more DM1bn (\$400m) on oil derivatives trading by a US subsidiary.

Last March, Dana agreed in principle to buy the stake, though no price was put on the deal, which has not been approved by the companies' boards.

Given its financial difficulties, Metallgesellschaft may be under some pressure to secure a sale of the stake. Kolbenschmidt lost DM133m in the year to last September and is labouring under heavy borrowings.

T&N's interim pre-tax profits, due to be released on Thursday, are expected to reach \$51m, helped by an upturn in European car sales and in the US car industry.

## Brit Steel and SSAB in Norway expansion

By Christopher Brown-Humes in Stockholm

British Steel and SSAB, the Swedish steel group, have agreed to take full control of Norsk Stal, Norway's leading steel distributor.

The two companies, which already hold 48 per cent of Norsk Stal's shares, are buying the majority stake from Norsk Jern Holding, the largest Norwegian steel producer, on undisclosed terms.

Norsk Stal, which last year achieved profits of Nkr20m (\$1.9m) on turnover of Nkr1.16bn, is already the main distribution outlet for both British Steel and SSAB in Norway. Its operations include Norsk Stal Tynplater, Norway's largest steel service cen-

tre with clients in both Sweden and Norway.

The deal was initiated by Norsk Jern as part of a restructuring which will focus its operations on Fundia, a producer of long steel products. Terms are expected to be finalised by the middle of next month but will be subject to approval from the European Commission and Nordic authorities.

SSAB is Scandinavia's biggest steel producer with a targeted market share of 50 per cent in heavy plate and strip products. It already collaborates with British Steel through European Electrical Steels, which has operations in both Sweden and Wales. British Steel owns 75 per cent of the venture.

## Eastern Electricity in N Sea gas deal

By Michael Smith

Eastern Electricity has taken a 6 per cent stake in the Johnston North Sea gas field when it agreed to buy Offshore Oil and Gas Development from Heerema, the Dutch construction group, for an undisclosed sum.

Eastern is the third regional electricity company, after Yorkshire and Northern, to enter the upstream gas business. It also has one of the biggest gas supply businesses among the region.

It has already contracted to buy the output of the Johnston field, which is expected to be in production later this year and has a life expectancy of about 11 years. The field is operated by Hamilton Oil.

Mr John Devaney, Eastern's chief executive, said the purchase was part of the plan for developing an integrated gas business.

OOG's assets, mainly comprising the 6 per cent stake in Johnston, are valued at about \$10m. The acquisition is subject to the approval of Mr Michael Heseltine, the trade and industry secretary.

Andrew Taylor reports on the latest study of housebuilders' trends

## New homes favoured by buyers

The UK housing market's slow emergence from recession is unlikely to dent sharp increases in housebuilders' pre-tax profits, according to brokers Credit Lyonnais Laing.

Its annual study of the housing sector's state of health says that the pace of recovery is likely to be sluggish, with borrowing costs remaining high. Potential house buyers are unlikely to be as active as in previous recoveries because confidence has been sapped by the fall in house prices in the late 1980s and early 1990s.

This should not, however, prevent housebuilders' profits from rising rapidly over the next 18 months. New homes this year have been selling faster than existing properties, where estate agents have complained that the price expectations of many sellers have remained too high.

Best placed are companies with large land banks which have not been forced to replenish stocks as land prices have risen sharply since the beginning of 1993.

The Credit Lyonnais study has been published at the start of a busy results season for construction and building materials companies. Some of these have already benefited from the rise in new house-

Year and	1990	1991	1992	1993	1994	1995
Wimpey	7100	6263	6380	5642	6936	8000
Tarmac	12027	11036	9227	7820	8837	7000
Barratt	6600	5960	4963	4706	4988	5750
Besnor	6088	5372	5006	4286	4805	4050
Wilson (Wilson Connolly)	1800	2360	2750	2880	3840	4000
Hassell (Paine)	1915	1976	1883	2375	2922	3700
Bryant	1680	1800	1885	2350	2922	3700
Pearlman	1796	2028	2324	2274	2771	3250
Lowell	2883	2623	3101	2571	2770	3100
Ideal (Trafalgar House)	3402	2525	2235	2354	2554	2500

\* Estimates

Source: Credit Lyonnais Laing

building in the UK and also in the US.

Last week Marley, the building materials group, announced that pre-tax profits had almost doubled to \$26m during the six months to end June - its best first-half performance since 1989. Next Wednesday housebuilder Persimmon and cement group Rugby are both expected to show higher interim profits.

Credit Lyonnais argues that housebuilders have increased their market share while the overall housing market has remained sluggish over the summer.

Its profits model, based on the performance of 20 quoted housebuilders, expects the number of homes built by the companies to increase by 13.5

per cent this year to 41,534 and by a further 23 per cent next year to 50,630. Higher house sales for the same fixed overheads will enhance builders' margins, depending upon how many new sites are started.

But "the most significant impact on profits this year and perhaps even next year" is likely to be the elimination of expensive land bought at the peak of the market.

Builders will have been assisted further by the removal of sales incentives, accounting for as much as 5 per cent of the sale price of a home, even though house prices in general have seen little uplift.

Credit Lyonnais believes the recovery will remain slow, with purchasers likely to move because of need rather than to

take advantage of rapidly rising prices. Capital growth of 1 or 2 per cent a year against long-term mortgage rates of 9 per cent for 10-year loans will not encourage people to move.

The main constraint on the market, however, is the continuing impact of negative equity which "has not just altered the purchasing power of those directly affected but has affected the attitudes of potential house purchasers who, in a more inflationary environment, might now be rushing to join the housing bandwagon."

The study concludes: "In a recovering economy the bull points will win but the constraints will be of sufficient import to make the recovery a slow one."

## MTL buys Telematic

MTL Instruments has acquired Telematic Systems for up to \$2.4m. An initial payment of \$1.2m will be satisfied by \$400,000 cash, \$400,000 in shares and \$400,000 in loan notes. There will be a further turnover-related payment of up to \$1.2m in loan notes.

In the year to the end of March, Telematic made a pre-tax profit of \$5,000 (\$87,000) on turnover of \$988,000 (\$1.04m). Net assets at the period end were \$287,000.

### Baillie Gifford

Baillie Gifford Shin Nippon, an investment trust which seeks long-term capital growth through a portfolio of small Japanese companies, had a fully diluted net asset value of 179p at July 31 - a rise of 7.4 pence on the value of 168.4p at the trust's January year end.

Net losses for the six months were \$32,125 (\$30,855), equivalent to 0.5p (0.19p) per share.

### Wyevale expansion

Wyevale Garden Centres is buying two garden centres in Keynsham, near Bristol and West Drayton, Middlesex, from Hurrans Garden Centres for \$1.7m cash, plus stock.

## Richards withdraws from printed carpets

By Jean Marshall

Shares in Richards fell 5p to 49p on Friday after the Aberdeen-based textiles company announced its withdrawal from the manufacture of printed carpet where, it said, it had no long-term competitive advantage.

The carpet manufacturing operations in Northern Ireland would now be closed with the loss of about 175 jobs. A "significant write-off" would inevitably result from the decision.

All non-print carpet manu-

facture would be concentrated at Cunnock, Ayrshire, and the remaining carpet business should improve performance substantially in 1995, directors said. The core spinning operation continued to show improved results.

For the half year to March 31, pre-tax losses deepened from \$226,000 to \$1.62m after provisions totalling \$1.61m for the period. Before this there was a swing from operating losses of \$248,000 to profits of \$220,000 from continuing activities.

## Braime ahead 46% to £0.23m

TF & JH Braime, the Leeds-based presswork and lift components group, reported profits ahead 46 per cent to \$226,764 pre-tax in the six months to the end of June.

The increase from last time's \$155,099 was achieved on turnover of \$3.56m (\$3.31m).

Directors said that sales of lift components remained buoyant in all markets, with signs of improvement at Setem, the French subsidiary, while presswork orders had improved since the year end.

Earnings per share jumped to 10.24p (8.9p) and the interim dividend goes up from 2.25p to 2.8p.

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Charter (UK)	Enab (Sweden)	Electrical equipment	\$416m	Raised bid breaks deadlock
Weir Group (UK)	EnviroTech Pumpsystems (US)	Pumping equipment	\$136m	Meeting internationalisation aims
Equifax (US)	UAPT-Infolink (UK)	Business services	\$50.9m	Offer raised again
Cementos Mexicanos (Mexico)	Cementos Bayano (Panama)	Cement	\$37.2m	Privatisation sale
Felvery Group (UK)	Imaging Technology (US)	Computer services	\$8.9m	Agreed cash deal
Sage Group (UK)	Timeslips Corp (US)	Computer services	\$7.8m	Performance-related price
Oxford Molecular Group (UK)	IntelliGenetics (US)	Computer services	\$5.2m	Paper & cash deal
Instrumentarium (Finland)	Unit of Gambro (Sweden)	Healthcare	n/a	Patient build-up
Otis Elevator (US)/GEC (Metz)	Otis Saigon Elevator (Joint Venture)	Lifts & escalators	n/a	Re-establishing relations
Walt Disney (US)/CLT (Luxembourg)	Joint Venture	Broadcasting	n/a	50/50 satellite venture

## THE THAI PRIME FUND LIMITED

(Incorporated in the Republic of Singapore)

### ANNOUNCEMENT

I. The Board of Directors of The Thai Prime Fund Limited wishes to announce the unaudited results of the Company for the six months ended 30 June 1994

	Six months ended 30 June 94 USD	30 June 93 USD	+ or - %
1. Investment income	56,059	66,209	(15.33)
2. a. Operating Profit/(loss) before income tax	(5,845)	7,041	(183.01)
b. Less income tax	—	—	—
c. Operating Profit/(loss) after income tax	(5,845)	7,041	(183.01)
3. Operating Profit/(loss) as a percentage of investment income	(10.43%)	10.63%	
Profit/(loss) in US cents per redeemable preferred share	(0.04)	0.05	
Net tangible asset backing in US dollar per redeemable preferred share	22.61	15.44	

Notes: For the financial period ended 30 June 94 and the corresponding period in 1993, the Company did not receive any dividend and interest income, realised any gains from sale of investment and recognised any trading income or losses.

4. In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Company for the period from the end of the six months to the date of this report.

### II. CURRENT YEAR'S PROSPECTS

The economic figures released by the government showed exports rising with a 23.3% growth rate and imports with a 12.8% growth rate during the first five months of 1994. As a result, trade deficit improved by 12.5%. Balance of Payments was in surplus and international reserves stood at US\$27.5 billion. For the same period, the inflation rate was 4.8% against 3.3% in the first five months in 1993. The Bank of Thailand attributes about 50% of recent CPI increases to the recovery in agricultural commodity prices, which are also benefiting Thai exports. Bank deposit growth figure was down from 19% in the same period in 1993 to 14% which amounted to US\$95.38 billion, lower than that of credit extensions which were 24.7% and amounted to US\$115.73 billion. This included loans in the form of Bangkok International Banking Facilities (BIBF) in the amount of US\$12.11 billion.

As a result of the rapid rise in the SET Index in the fourth quarter of 1993, investors re-evaluated the situation and sought some justification on prices. This partially caused a slowdown in the market activities during the first half of 1994. Other factors affecting the stock exchange were rising interest rates and a clouded political situation. The SET Index dropped to a low of 1,196.59 points in April and ended the month of June at 1,273.34 points, a decline of about 24% from the December closing index. The Thai stock market in the second half of the year is expected to turnaround due to the strong economic fundamentals and good corporate performance. The earnings growth of the market will be around 19-22% while the earnings per share growth is expected to exceed 17% for 1994.

As at 30 June 1994, the net asset value of the investment portfolio amounted to US\$372.63 million or US\$24.04 per investment unit. Of this amount, 97.75% was invested in Thai equities. The top ten holdings, which was 52.81% of the total net asset value, included Bangkok Bank Public Co., Ltd., The Siam Cement Public Co., Ltd., The Thai Farmers Bank Public Co., Ltd., Shinawatra Computer and Communication Public Co., Ltd., Dhana Siam Finance and Securities Public Co., Ltd., Phatra Thanakit Public Co., Ltd., Advanced Info Service Public Co., Ltd., The Siam Commercial Bank Public Co., Ltd., National Finance and Securities Public Co., Ltd., and Land and House Public Co., Ltd. During the first half of the year the Fund generated a net investment income of US\$21.13 million and outperformed the benchmark SET Index by 2.88% because of its overweight position in banking and building sectors and underweighting in property development sector.

### III. DIVIDEND

The Board is pleased to declare an interim dividend of US\$0.50 (1993: US\$1.00), tax-exempt, per redeemable preferred share in respect of the financial year ending 31 December 1994, payable on 21 September 1994 to members registered in the books of the Company on 20 September 1994.

### IV. CLOSURE OF BOOKS

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 19 September 1994 to 20 September 1994, both dates inclusive, for the preparation of dividend warrants. Fully completed transfers received by the Company's Share Registrar, M & C Services Private Limited, 16 Raffles Quay, #23-01 Hong Leong Building, Singapore 0104, up to the close of business at 5.00 p.m. on 16 September 1994 will be registered to determine shareholders' entitlement to the proposed interim dividend.

By Order of the Board

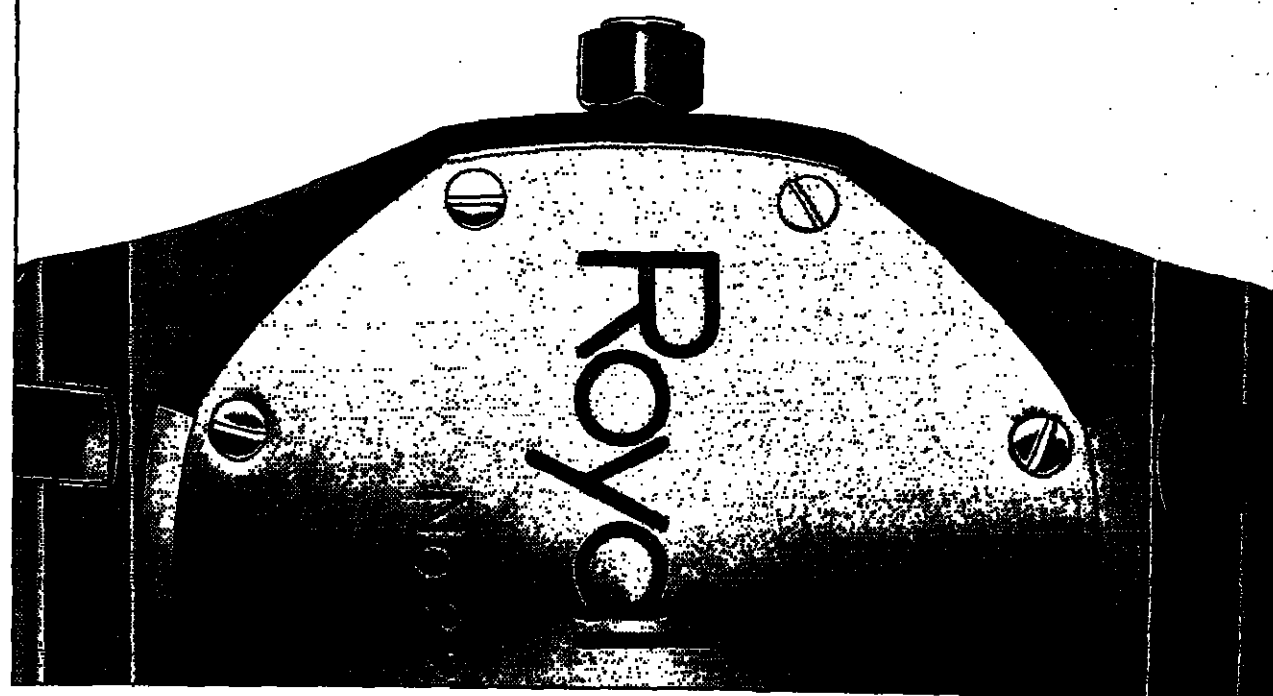
TAN SOEK BEE (MS)  
Secretary27 August 1994  
Singapore

Notes: The half-yearly report is to be published in The Straits Times, Singapore on 29 August 1994 as well as sent to the shareholders on 5 September 1994. It will be made available to the public at the Company's registered office at 24 Raffles Place, 11th Storey, Clifford Centre, Singapore 0104.

## QUITE SIMPLY THE ROYAL OAK.

AP  
AUDEMARS PIGUET  
The master watchmaker.

Available at: Asprey, Garrard, Kitchin, Mappin & Webb  
(Horseshoe - Terminal 3 & 4), David Morris, Mousell, Jeff  
The Watch Gallery, Watches of Switzerland Ltd.,  
Jewellery, C.T. Main, Wolverhampton, J.J. Rudell,  
Leeds, Henry's



NEW FUTURESOURCE PROFESSIONAL

NOW AVAILABLE...

24 Hour Real-time Coverage of Spot FX, Futures & Options & Over 1000 Technical Studies.  
Timeliness, Flexibility & Data Tools & Charts: Your Own Studies & From Charting & Technical  
Analysis System with Worldwide Coverage available via satellite throughout the UK & Europe.  
Call London Children at FutureSource: Tel: 071-467 8725 Fax: 071-467 3842

Technical Analysis Software

INDEXIA

Tel: (0442) 376015 Fax: (0442) 376016

هذه اذاعة الاصل



## Oerlikon-Bührle expects improved annual earnings

By Ian Rodger in Zurich

Oerlikon-Bührle, the Swiss weapons, engineering and retailing group, has forecast a "clearly improved" operating result for the current year and has held out the prospect of paying a dividend for the first time in nearly a decade.

Bührle reported a 44 per cent slide in net income in the first half to SF8m (\$4.2m), but this setback was entirely due to the absence of large extraordinary gains from property sales in the current period.

Operating income rose 62 per cent to SF58.3m on flat sales of SF1.36bn, and the result before taxes and extraordinary items advanced to a profit of SF30.4m from a loss of SF2.2m.

The profit improvement came mainly from the Balzers vacuum engineering business and the Contraves weapons

subsidiary. Balzers, which supplies surface coating equipment and services, has seen a big growth in demand this year for its machines, especially those for coating compact discs.

Orders received in the first half were up 17 per cent to SF242.7m, and its operating profit more than doubled to SF14.4m.

The long troubled Contraves division also more than doubled its operating profit from SF7.2m to SF16m in the first half, but Bührle warned of lower profits in the full year. It cited budget problems in customer countries and uncertainties over Swiss policy on military equipment exports.

Sales of the Balzers subsidiary were flat at SF514.5m, but up 4 per cent excluding currency effects.

Operating profit was down 14 per cent to SF30.2m. Slight

increases in sales and operating profits are expected in the full year.

Bührle indicated that it would clear its capital deficit this year.

However, the directors have not yet decided whether to recommend a dividend for 1994. The last one paid was in respect of 1985.

The group has not yet been able to carry out its DM100m (\$82.5m) acquisition of the Leybold vacuum engineering company. The US Federal Trade Commission had not yet given its approval.

The German Cartel Commission has already demanded some disposals from either Leybold or Balzers.

Bührle said it still expected to consolidate Leybold retroactively to the first of the year, and indicated that the German company had returned to profit this year.

## Austrian insurer in 1m share debut

By Ian Rodger

Wiener Städtische Allgemeine Versicherung, Austria's largest insurance company, is coming to the Vienna stock exchange in October with an initial issue of 1m new preference shares.

The Sch100 par value shares would represent just under one-tenth of the group's existing Sch1.1bn (\$55.6m) nominal capital.

Wiener Städtische is 91 per cent controlled by a mutual society backed by the City of Vienna. Bank Austria, which is also controlled indirectly by the City of Vienna, has 8 per cent.

The all risk insurer had premium income last year of Sch15.4bn, giving it a 13 per cent share of the Austrian market.

Net income, calculated on the Austrian financial analysts' method (OVFA), jumped to Sch862m from Sch65m in 1993. Its capital at the year-end stood at Sch6.2bn.

In the first half of 1994, its premium income advanced 4 per cent to Sch6.5bn, and it is forecasting a 2 per cent rise in the full year to Sch15.8bn. OVFA net income is forecast to ease to Sch87m.

Wiener Städtische also leads a group of Austrian insurance companies which has a combined annual premium income of Sch23.6bn and claims a market share of about 20 per cent.

The preference shares will be entitled to a minimum 15 per cent dividend with a guarantee to exceed the ordinary dividend by 5 per cent for three years. The ordinary dividend for the past two years has been 15 per cent.

Bank Austria, lead manager of the issue, plans to announce the price of the shares on September 30. The subscription period is from October 3 to 7.

## SA watershed for black business

Nail starts trading in Johannesburg today. Mark Suzman reports

New Africa Investments Limited (Nail) begins trading on the Johannesburg stock exchange today. Its arrival marks the most significant achievement of black business in South Africa to date and highlights the continued weakness of black economic clout in the country.

The formation of Nail, the brainchild of Dr Nthato Motlana, a Soweto-based medical doctor turned businessman who used to be President Nelson Mandela's personal physician, is an important initiative by any standards.

Dr Motlana and a group of partners have put together a number of recent black initiatives and rolled them into a single company. Nail's biggest asset is a 30 per cent controlling share in Metlife. South Africa's fifth largest life insurer, and it controls The Sowetan newspaper, the country's highest circulation daily, and holds a large stake in MTN, a cellular phone network. Total assets amount to about R7bn (\$1.9bn).

The company's listing marks a watershed for black business, but critics charge that its formation owes more to white desperation to build up a class of black capitalists than any inherent business acumen on the part of Dr Motlana and his associates. "All it does is help establish a new black elite



Nthato Motlana: Soweto-based doctor turned businessman

without providing any real benefits for the masses," says one critic.

Some of the charges carry more than a grain of truth. Certainly nearly all the transactions leading to the formation of Nail have been facilitated by white conglomerates aware that, given the new political climate, blacks have to be seen to have a genuine stake in the economy.

The takeover by a black consortium of The Sowetan last year from Argus Newspapers, former Anglo-American subsidiary, was managed on very generous terms, while the money for the first 10 per cent of Metlife taken by Dr Motlana and his partners was provided through a loan, now repaid,

from the state-run Industrial Development Corporation.

Meanwhile, Sankorp, the African-run insurance group that used to own Metlife, will retain 90 per cent of the new company and a seat on the board of directors, and existing white management is being kept on at both Metlife and The Sowetan.

However, Sankorp officials deny they will be seeking any managerial role in the new company and emphasise the decision to sell Metlife was made for sound business reasons. "We will fulfil our role in corporate governance," notes Mr Attie du Plessis, a Sankorp executive director. "But we will not interfere in the day-to-day life of the group. We

have faith in the directors and the underlying companies."

The fact that ulterior motives might lie behind the conglomerates' willingness to engineer the necessary deals, makes their generosity good financial sense in the current climate. "The black sector of the life assurance market is growing at 50 per cent a year," notes one broker. "Although Metlife's share of the market has dropped from 80 per cent to 40 per cent over the past five years, it's still in a better position to benefit from the growth than any other company."

Also, charges that Nail benefits only a tiny core of black investors are not entirely justified. In addition to having 5,300 individual black shareholders, the National Council of Trade Unions has taken a 13.7 per cent share of the new company, and other union groups are likely to take up a further 20 per cent in the near future.

Sizeable though Nail might be, compared with the bigger life insurers or the leading banks and mining houses, it is one medium-size black fish in a pond filled with big white ones. However, given apartheid's success in preventing blacks from accumulating capital or skills to build up their own companies, initiatives such as Nail remain the only viable way of developing large black business in South Africa.

## Aegon rises 11% and sees further gains

By Ronald van der Krol in Amsterdam

Aegon, the Dutch insurer, posted a 10.8 per cent rise in first-half net profit and predicted a "clear increase" in operating profit and profit per share for 1994 as a whole.

Net profit rose to F150.7m (\$306m) from F149.7m, while operating profit rose 13.3 per cent to F146.7m from F141.1m. The net profit figure comprises operating profit plus realised gains on shares and property, which were virtually unchanged at F185m compared with F186m.

Premium income rose 46 per cent to F17.66bn, with most of the increase due to the first-time inclusion of results from Scottish Equitable Life following last year's acquisition. If this factor is excluded, premium income would have risen by 8.5 per cent.

The company said foreign exchange movements had a modestly positive effect on first-half results. Aegon added it has hedged its risk against a sharp decline in the dollar against the guilder.

Aegon said profits grew in the Netherlands, the US and other parts of Europe. One exception was Aegon Insurance Company (UK), the subsidiary in London, which produced disappointing results.

## De Beers changes terms of venture

By Kenneth Gooding, Mining Correspondent

De Beers, the world's biggest diamond group, has changed the terms of its proposed joint venture with two junior Canadian companies after disappointing results from tests in Canada's Northwest Territories.

Nevertheless, De Beers will continue to explore the so-called Yamba Lake concession area and, if the group decides to go into production, it will find financing of up to C\$500m (US\$357m) for the first mine and earn a 60 per cent interest in the concession.

However, De Beers no longer has any obligation to take shareholdings in Mill City Gold

and Tanqueray Resources, as it agreed when the joint venture was first mooted last month.

De Beers said independent testing of a 24.5 tonnes sample from the Torrie kimberlite pipe at Yamba Lake produced 19 small diamonds weighing in total less than one carat. The Torrie pipe lies in the "corridor of hope" runs for nearly 150 kilometres and where nearly 100 kimberlite pipes - which sometimes contain diamonds - have been found.

This is the second blow for Canadian junior mining companies. A recent unexpected announcement of sampling results by Kennecott, a subsidiary of RTZ of the UK, sent share prices of many of the small companies plummeting.

## Nestlé lifts water stake

By Ian Rodger

Nestlé, the world's largest food and beverages group, is raising its indirect stake in the San Pellegrino mineral water company.

The Swiss group said it had enlarged its stake in Compagnie Financière du Haut-Rhin (CFHR), a Luxembourg company which has majority control of San Pellegrino, to 42 per cent from 28 per cent

by buying shares from the Italian Gardini and Malgara families.

It expected to raise its CFHR stake further to 49 per cent through purchases from the Mentast family, which controls it.

Nestlé, which has been building its mineral water interests rapidly in the past few years, also has a direct stake in San Pellegrino, believed to be about 14 per cent.

### NEWS DIGEST

#### Siam Cement ahead 27.3% in second quarter

Siam Cement, Thailand's biggest conglomerate, reported a 27.3 per cent rise in consolidated net profits to B11.09bn (\$43.4m) in the second quarter to end-June, resulting in a 63 per cent rise to B2.52bn for the half-year, writes William Barnes in Bangkok.

Mr Chumpol Nalamlieng, president, said the continued growth in profits was a result of high growth in the Thai economy and improved performance of the steel, glass and ceramic subsidiaries. Large currency exchange gains had been made in the second quarter.

Siam Cement recorded a 5 per cent increase in total sales in the second quarter to B15bn.

#### Hudson's Bay advances 14%

Hudson's Bay, Canada's biggest retailer, said second-quarter net profit rose 13.9 per cent to C\$16.8m (US\$13.6m), or 33 cents a share, from C\$16.5m, or 32 cents, a year earlier, with better results from the main

Bay department store chain, writes Robert Gibbons in Montreal.

Sales were C\$520m, up 10.5 per cent, with the Bay division gaining 12.9 per cent and Zellers up 9.5 per cent. Including special items, final profit in the latest quarter was C\$40.9m or 72 cents a share.

First-half profit before special items was C\$22.2m, or 39 cents a share, against C\$12.1m, or 23 cents, on fewer shares outstanding.

Sales were C\$2.5bn against C\$2.3bn. The latest period included the former Woodward stores in western Canada.

#### Fonrola to become national carrier

Fonrola, the Canadian telecommunications reseller, plans to turn itself into Canada's third national long-distance carrier, writes Robert Gibbons.

At present the company leases facilities from the other big carriers, Stentor and Telcel, at wholesale prices and provides enhanced services to business customers at prices below the telephone companies' rates.

Now Fonrola has formed a limited partnership with Canadian National Railways to develop CN's existing 1,500-mile trans-Canada fibre-optic

network running beside its tracks between Montreal and Vancouver.

Fonrola will also get access to other CN private systems in Canada and the US, as far south as Cincinnati.

It will invest C\$15m cash in the partnership and arrange supplier finance for a C\$50m upgrade of the CN fibre-optic network.

Canadian National Railways said its role would be passive but it wanted to "maximise an under-utilised asset". It built the system in the early 1980s to manage its rail network more efficiently.

#### Formosa Plastics drops 3.9%

Taiwan's Formosa Plastics Corp., a leading manufacturer of petrochemical products, saw pre-tax profits for the year to June 30 fall 3.9 per cent to T\$2.45bn (\$91m) as a result of a T\$348m loss on its US operations, writes Laura Tyson in Taipei.

First-half revenues were up 19 per cent from a year earlier, to T\$15.41bn, on steady sales growth, the group said. It added that earnings in the first half of last year were lifted by T\$440m from land sales and other income.

The company took a loss of T\$498m in its US operations.

## Small car with big ambitions

Continued from Page 15

shifts with the ability to rise to 1,200 a day. The car will be built at VW's main plant at Wolfsburg in northern Germany at the rate of 530 a day.

While ambitious for Volkswagens, these targets appear modest against the aims of its bitter rival General Motors, with which it is still locked in controversy over GM allegations of industrial espionage. Opel is raising Corsa production at its Eisenach plant in eastern Germany to 640 a day on a three-shift operation. Combined with its main Corsa plant at Zaragoza, Spain, this will raise total production for the range to 2,400 a day.

The Polo must also help to bring VW down to a lower cost base, so that the heavily loss-making German group can

start to rid itself of its unenviable position as Europe's high-cost carmaker. Mr Ferdinand Piëch, chairman of the VW management board, claims the hours taken to build the new Polo have been cut by about 15 per cent (on a comparable basis to the old Polo) to 16 hours per car.

The new car is also an important element in the group's platform strategy aimed at cutting costs and simplifying its global manufacturing activities. It is planning to reduce the number of basic chassis platforms from 16 earlier this year to four by early next decade. The Polo platform will spawn all other small car models in the VW group for the next decade, including Seat and Skoda.

According to Mr Ulrich Seifert, VW group research and

development director, the new Polo shares about 40 per cent of its components, by value, with its half-sister, the Seat Ibiza, launched early last year. The Ibiza and the Polo share dashboards, as well as rear axle and suspension, and some engines and gearboxes.

VW is developing its first mini car, smaller than the Polo, code-named the EA420 and due for launch in Europe by late 1996. Based on a shortened Polo platform and to be produced at Wolfsburg, it is supposed to be the car that proves VW can assemble cars in Germany as cost effectively as any carmaker in Europe.

It is a big task for a small car, but such rationalisation is crucial as the VW group seeks to claw its way back into the black following last year's record losses of DM1.9bn.



### Merger through the incorporation into SIP (also called TELECOM ITALIA S.p.A.) of IRITEL, ITALCABLE, SIRM and TELESPIAZIO

#### NOTICE

Notice is hereby given that the act of merger relative to the above operation was registered at the Chancery of the Courts of Turin and Rome on 28th July and 1st August 1994 respectively, and was published in extract in the Official Gazette.

Consequently, as foreseen by the merger project approved on 19th May at the Shareholders' Meetings of the companies participating in the merger, the effects of the operation, envisaged in Article 2504 bis of the Civil Code, will commence from 18th August 1994 and therefore the cessation of the incorporated companies IRITEL S.p.A., ITALCABLE SERVIZI CARLOGRAFICI RADIODIFFUSIONE E RADIOELETTRICI - SOCIETA' PER AZIONI, SOCIETA' ITALIANA RADIO MARITTIMA PER AZIONI, S.p.A., SIRM S.p.A., and TELESPIAZIO S.p.A. will take place, with effect from 18th August 1994.

#### Notice to Shareholders of the Companies to be incorporated

Notice is hereby given that, from 18th August 1994 the increase of the SIP capital will begin in order to exchange the shares owned by the Shareholders of the companies to be incorporated, according to the following ratios:

2.4 SIP ordinary shares for every ITALCABLE ordinary share (face value Lit. 1,000);  
2.4 SIP savings shares for every ITALCABLE savings share (face value Lit. 1,000);  
3.150 SIP ordinary shares for every IRITEL share (face value Lit. 1,000,000);  
4.25 SIP ordinary shares for every SIRM share (face value Lit. 2,000);  
2.50 SIP ordinary shares for every TELESPIAZIO share (face value Lit. 1,000).

The exchange operations can be carried out at the offices of TELECOM ITALIA S.p.A. in:

Turin - Via San Damiano, 15;  
Rome - Via Flaminia, 189;  
Milan - Viale del Commercio, 19.

The exchange of the ITALCABLE shares can also be carried out, from 18th August to 30th September 1994 inclusive, at the Agents listed at the end of this notice.

To make the exchange operation easier, STET - Società Finanziaria Telefonica p.a. has undertaken, until 30th September 1994, to acquire from the holders of ITALCABLE shares, or to surrender to the same, the fractions of TELECOM ITALIA S.p.A. shares necessary to allow the exchanging shareholder to round up or down, respectively, to whole units the number of the incorporating company's shares due, at a price fixed according to the compensation price of the SIP shares for the month of August 1994.

After 30th September 1994, the fractions of TELECOM ITALIA S.p.A. shares necessary to allow the exchanging shareholder to round up or down, respectively, to whole units the number of the incorporating company's shares will be guaranteed to those exchanging ITALCABLE shares through the acquisition or surrender of the necessary fractions of TELECOM ITALIA S.p.A. shares at a price fixed according to the official Stock Exchange price of the working day previous to that of the execution of the exchange.

After 14th December 1994, the fractions of the TELECOM ITALIA S.p.A. shares arising from the application of the above stated exchange ratios, will be converted into cash.

For this, the criteria valid for calculating the price will be applied from 1st October 1994.

No sums will be placed on the shareholder for the exchange operation and for sale of the above said fractions.

TELECOM ITALIA S.p.A. will see to provide the holders with the newly issued shares through the authorized Agent which received the exchange request.

#### Notice to the withdrawing Shareholders

Notice is hereby given that on 18th August 1994, the withdrawal statements, sent to SIP and ITALCABLE according to Article 2437 of the Civil Code and conforming to the time limit and procedure indicated in the relative notices published in the press on 9th June 1994, will be effective. From the above said date therefore, payment of the reimbursements will be affected and will include the legal interest calculated from 19th May 1994 to the day of the payment of the reimbursements.

Authorized Agents:

In Italy:  
Banca Commerciale Italiana S.p.A., Credito Italiano S.p.A., Banca di Roma S.p.A., Banco di Napoli S.p.A., Banco di Sicilia S.p.A., Istituto Bancario San Paolo di Torino S.p.A., Monte dei Paschi di Siena, Banco di Sardegna S.p.A., Banca Nazionale dell'Agricoltura S.p.A., Banco Ambrosiano Veneto S.p.A., Banca Toscana S.p.A., Credito Romagnolo S.p.A., Banca d'America e d'Italia S.p.A., Gruppo Deutsche Bank, Credito Commerciale S.p.A., Credito Bergamasco S.p.A., Banca Agricola Milanese S.p.A., Banca Nazionale delle Comunicazioni S.p.A., Banco di Chiavari e della Riviera Ligure S.p.A., Banca Lombarda S.p.A., Banca Sella S.p.A., Banca Scrinassino & C. S.p.A., Banca Fideuram S.p.A., Citybank della Comunità S.p.A., Banco di Chiavari e della Riviera Ligure S.p.A., and its associated Banks, Banca Popolare di Novara, Banca Popolare di Bergamo, Credito Varesino, Banca Popolare di Lecco S.p.A., Banca Popolare Commercio e Industria, Banca Popolare di Sondrio, Banca Antoniana, Banche Associate all'Istituto Centrale delle Banche Popolari Italiane S.p.A., Cariplo - Cassa di Risparmio delle Province Lombarde S.p.A., Banca CRT S.p.A., Banca Carige S.p.A., Cassa di Risparmio in Bologna S.p.A., Cassa di Risparmio di Trieste - Banca S.p.A., ICCRI - Istituto di Credito delle Casse di Risparmio Italiane S.p.A., Casse di Risparmio and the associated Monti di Credito su Pugno, Istituto di Credito delle Casse Rurali e Artigiane S.p.A., Monte Titoli S.p.A. for the shares they administer.

Abroad:  
London: Banca Commerciale Italiana S.p.A. - 42, Gresham Street - EC2V 7LA  
Credito Italiano S.p.A. - 17, Moorgate - EC2R 6HX  
Banca di Roma S.p.A. - 87, Gresham Street - EC2V 7NQ

New York: Banca Commerciale Italiana S.p.A. - One William Street - N.Y. 10004  
Credito Italiano S.p.A. - 375, Park Avenue - N.Y. 10012  
Banca di Roma S.p.A. - 100, Wall Street - N.Y. 10005

Paris: Banca Nazionale del Lavoro S.p.A. - 26, Avenue des Champs Elysees - 75008

Frankfurt/Main: Istituto Bancario San Paolo di Torino S.p.A. - Eschenheimer Landstrasse 55 - D60322

Zurich: Lavoro Bank A.G. - Talacker, 21 - 8001

Buenos Aires: Banca Nazionale del Lavoro S.p.A. - Florida, 40 - 1005















## EQUITY MARKETS: This Week

## NEW YORK

Frank McGuire

## Sanguine mood could linger on into autumn

Last Wednesday's surprising 70-point surge by the Dow Industrials is still a mystery on Wall Street. Before Friday, when the Dow added another 51 points, some analysts were dismissing the jump as a technical aberration.

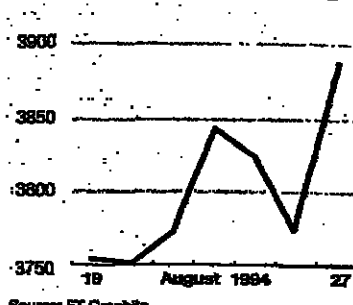
Most notably, a report in The New York Times traced the initial burst to the consequences of a single fund manager's options trade. His strategy was said to have triggered what one analyst earlier described as a "panic reflow" of money back into depressed cyclical stocks in the final half-hour of trading.

The plausibility of that explanation hardly seems to matter this morning. Whatever the cause, Wednesday's events have sparked what may turn out to be a long upturn in share prices. It now appears the groundwork was laid earlier in the week, when the market welcomed an announcement by Deere, the US agricultural equipment maker, that it was lifting its production schedule in response to higher demand. Later, technology stocks sprang to life when analysts issued encouraging remarks on several companies, and IBM decided to follow Compaq's lead in lowering prices on many of its PCs.

There is little doubt that investors are entering the final week of the summer with an inclination to accentuate the positive. Four trends seem to be working in their favour: bonds are up, the dollar has stabilised, the outlook for corporate earnings has improved and the economy is trotting along at a manageable pace.

Friday's advance, after a modest retreat the previous session,

Dow Jones Industrial Average



Source: FT Graphix

demonstrated that buyers were not ready to return to the sidelines after just one outing.

Stocks could well have declined, as the Commerce Department announced an upward revision of second-quarter economic growth. Instead, investors were relieved that the revision, from 3.7 per cent to 3.8 per cent, fell well short of expectations.

The report also lent credence to the theory that inventories had piled up in the quarter because of soft sales, not stepped-up production. Many analysts are now betting that the Federal Reserve will delay its next move to tighten credit until November.

This week, thin trading conditions in the run-up to the long Labor Day weekend could exaggerate the market's movements in either direction. With the monthly cycle of government economic data getting under way again, some volatility is not out of the question.

Nevertheless, most portfolio managers are likely to refrain from making fresh commitments until the release of August employment data on Friday. Economists are forecasting a moderate increase in non-farm payrolls of between 200,000 and 250,000. If the figure falls in that range, the sanguine mood on Wall Street should carry into the autumn.

## LONDON

Terry Byland

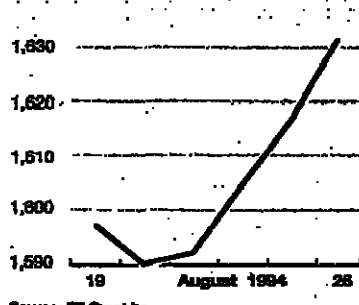
## Construction stocks come under scrutiny

The London market has a day of grace today and can stand by to see whether New York and the other leading continental European stock markets are prepared to extend the gains registered ahead of the weekend. The running order on Friday night, when Wall Street was about 3.3 per cent up on the week, London 2.2 per cent, Paris about 3 per cent up and Germany less so, bore out the view taken by London analysts of the latest economic developments.

Relaxation of interest rate worries in the US following a mild upwards revision of second-quarter economic growth estimates, has been quickly reflected in optimism in the London and Paris stock markets, both recently unsettled by renewed rate anxiety. UK market analysts have been able to return their attention to the upward flow of corporate earnings and dividends. S. G. Warburg underpins this increasingly favourable indication of corporate recovery by pointing to the improving margin expectations in manufacturing industry extrapolated from the Central Statistical Office economic data on the first and second quarters of the year.

Not that base rate concerns have vanished. NatWest Markets reminds clients of the downside aspects of the favourable economic statistics and believes that a rise in interest rates "remains on the cards," perhaps in November. NatWest's view is that domestic inflation is subdued because the monetary framework is in place. Base rates of 6 per cent, says NatWest, may be needed to keep inflation at 3 per cent, or below.

FT-SE-100 All-Share Index



Source: FT Graphix

With economic recovery again the stock market's favourite topic, it is no surprise that analysts are reviewing the housebuilding and construction stocks. Enthusiasm is restrained, with NatWest Securities expressing faith in the UK new housebuilding sector while commenting "contracting remains a mug's game".

The uncertainty bedeviling housebuilders is shown by the underperformance of about 23 per cent against the market over 12 months of George Wimpey, of 9 per cent by Berkeley Group, of nearly 6 per cent by Bryant Group, all three recommended by NatWest.

Credit Lyonnais Laing, in a heavyweight analysis of the private housebuilding sector, finds it less easy to be charitable, believing that negative equity and low inflation will constrain recovery. On the firm's own profits model, it could be 1996 before average price earnings ratios come down to single figures. Lyonnais Laing recommends a neutral weighting in housebuilding stocks.

However, it suggests widening institutional portfolios to share NatWest's approval of Berkeley and Bryant Group and sees hopes of recovery in Crest Nicholson, Wainhomes and McCarthy and Stone.

## International offerings / Conner Middelmann

## Privatisations primed for centre stage in Europe

As the summer lull ends, governments and companies are preparing to launch an onslaught of international equity offerings.

"The market will be off and running as soon as September starts - we'll see issuance back at the levels we had earlier in the year," says one equity syndicate manager. The improved tone in most equity markets will improve prospects for new issues, he says. Moreover, "there is a lot of institutional money waiting to be invested, most of which will go into equities".

Some traders are less sanguine, arguing that the weight of supply may put pressure on issuers and lead managers to price deals attractively.

Moreover, politics may cause difficulties in some European countries. Italy will remain vulnerable to political shocks as the budget debate is resumed, while Sweden, Austria, France and Germany may be overshadowed by elections.

In Europe, privatisations are expected to take centre stage. "The corporate sector will have to be very nimble to manoeuvre around the large privatisations, which will be the most important transactions," says Mr Charles Kirwan-Taylor, managing director of equity capital markets at Barclays de Zoete Wedd.

However, some say the market may be overestimating the weight of privatisations in the remaining four months of the year. "There may not be as many deals as most people expect - many of the large privatisations could occur in 1995," says Mr John Jensen, managing director, equity capital markets at Merrill Lynch.

In France, the authorities have yet to decide whether their next privatisation candidate is Renault or the insurer Assurances Générales de France. If, as many expect, Renault goes first, the government has still given little indication as to how much of its 30 per cent stake it wants to sell.

In Germany, dealers are preparing for the Lufthansa sale, co-ordinated by Dresdner Bank, which is expected to get under way in September.

The outlook is more cloudy in Italy, with dealers speculating over the timing of the sale of electricity group Enel, and Stet, the telecommunications group.

Finland's Kemira is expected to sell a \$200m equivalent of shares via Merrill Lynch, while traders continue to wait for the sale of Sweden's Nordbanken, which has been held up by political manoeuvrings.

The eastern Mediterranean region, including Greece, Turkey and Israel, is also

expected to see new supply. In Greece, the privatisation of telecommunications company OTE is likely to be revived. Although there has been a heavy supply of telecommunications stocks, OTE and other telecoms names are expected to be warmly received. "Telecoms stocks are still generally popular - for one, they are predictable; also, although there are more of them around, most of them still offer above-average growth prospects," notes Mr Kirwan-Taylor.

In Turkey, telecommunications group PTT and other utilities are expected to issue new shares. In Israel, traders will watch for the Bezeq, El Al and Israel Chemical sell-offs.

Asia is likely to produce, among others, a large offering for Indosat, the Indonesian telecoms group, and a deal for Taiwan's China Steel, both expected to be led by Merrill Lynch. In India, a rush of new issues could clog the market, making a successful comeback difficult for VSNL, the large telecoms group. Its \$1bn privatisation was pulled in May after it failed to get the desired price. "There is a risk that there will be so many small deals that the market doesn't get a chance to consolidate and absorb big deals," warns Mr Kirwan-Taylor.

## OTHER MARKETS

## FRANKFURT

The market will be preoccupied with the Bundesbank's fortnightly central council meeting on Thursday, the fortunes of the domestic bond market and the Dax index's ability to hold above resistance at 2,100, according to Mr Detlev Klug at B. Metzler in Frankfurt. However, participants will be keeping a keen eye on the release on Wednesday of the mid-term report of Daimler-Benz, the automotive, aerospace and industrial group, after shares in Volkswagen, its fellow blue chip, slumped last week on its disappointing progress report.

Brokers will be particularly interested in any full-year or second-half forecasts from Daimler after Mr Ferdinand Piech, VW chairman, depressed sentiment last week with his gloomy prediction of stagnant west European car sales this year.

Other companies in the news include Kaufland, the retailer, which releases mid-term results on Tuesday and Deutsche Bank which is holding an analysts' meeting on Thursday.

MAN, which is expected to report full-year figures this week has warned that the outcome will be below last year's DM213m.

## COPENHAGEN

First-half results are expected on Wednesday for Tele Danmark, the large telecommunications group which came to the market with an IPO in April. Merrill Lynch expects few surprises, but says the interim results should be positive with revenue growth of 5 per cent, operating profits up 10 per cent and pre-tax profits lifted by a restructuring of the balance sheet with the IPO proceeds and reduced pension contributions, up 30 per cent to DKK1.57bn. Danish companies tend not to pay interim dividends, says the broker, and Tele Danmark is no exception.

## STOCKHOLM

A busy week is in store on the corporate results front, starting with first-half figures from Volvo tomorrow. UBS says first-half results have so far matched, or in many cases handsomely beaten, already high expectations. It expects Volvo to continue the trend posting net profits up to SEK6.05bn from SEK5.80bn in the first half of last year. Few of Sweden's recovering industrial groups are as well positioned as Volvo to benefit from the improving US economy, heavy internal restructuring and product launches, says UBS.

## ZURICH

Alusuisse, the aluminium, chemicals and packaging company, is holding a news conference on 1994 business developments on Tuesday and Ciba, the pharmaceuticals and chemicals group, reports first-half results on Wednesday. Brokers say the two stocks could well provide the market with some positive news, helping to lift some of the gloom cast by the disappointing mid-term results in the banking sector. SBC and UBS are holding press conferences on Wednesday and Thursday respectively.

## TOKYO

Investors will be paying close attention to July industrial production figures, released on Wednesday, writes Emilio Terazono. Although the government's official forecast has been for a fall in industrial output, private economists expect the rise in demand due to the hot summer and an increase in car sales, to support the figure. Other events scheduled include the announcement of Japan Tobacco's public offering price on Wednesday and Friday's release of August employment figures. However, analysts do not expect the announcements to affect

investor confidence unless the data is substantially different from projections, and the Nikkei index is likely to fluctuate in a narrow band around the 20,500 level.

## HONG KONG

China stocks are likely to provide the main focus of trading in Hong Kong next week, with final results due from Maanshan Iron and Steel today and Luoyang Glass tomorrow, writes Louise Lucas. Maanshan Iron and Steel has the biggest capitalisation of the so-called H share companies, and Luoyang Glass is a float glass company which listed last month.

The H share sector has been rising for the past month and a half, partially stimulated by the launch of a new H share index, which tracks the performance of the Hong Kong listed China shares, and latterly by some strong corporate results.

Trading is otherwise expected to be lacklustre, after a mixed corporate interim results season, although traders will seek arbitrage opportunities ahead of the expiry of the Hang Seng futures on Tuesday. The market is closed today for a public holiday. Investor activity will also be depressed by the public holiday on Monday.

FT

FINANCIAL TIMES  
ConferencesINTERNATIONAL  
INFRASTRUCTURE FINANCE

## BUILD - OPERATE - TRANSFER (BOT)

London - 4 &amp; 5 October 1994

Build-operate-transfer (BOT) projects are set to play an increasingly important role in major infrastructure schemes worldwide, providing a billion dollar cross-border business opportunity for primary contractors and suppliers in key industry sectors.

## ISSUES INCLUDE:

- Evolution and future of BOT
- Financing and re-financing projects
- Future for BOT in Central and Eastern Europe, South Africa and the Middle East
- Case studies: telecommunications, power, transport, environmental infrastructure

## SPEAKERS INCLUDE:

- Sir Alastair Morton  
Co-Chairman  
Eurotunnel
- Dr Jacques Rogozinski  
President & Chief Executive Officer  
Banobras
- Mr Trevor Manuel MP\*  
Minister of Trade & Industry  
South Africa
- Mr John P Hollihan III  
Managing Director  
Morgan Stanley & Co Limited
- Mr George M Kappaz  
President & Chief Executive Officer  
KMR Power Corporation
- Mr Michael J Heath  
Vice President & Managing Director  
NYNEX Network Systems Company

For information about marketing opportunities please contact Lynette Northey on 071-814 9770.

FINANCIAL TIMES CONFERENCES in association with  
FT NEWSLETTER INTERNATIONAL TRADE FINANCE

\* Subject to confirmation

INTERNATIONAL  
INFRASTRUCTURE FINANCE

Please tick relevant boxes.

- ☐ Conference information only.
- ☐ Cheque enclosed for £775.50, made payable to FT Conferences.
- ☐ Please charge my Mastercard/Visa with £775.50.

Card no

Name of card holder

Exp. date

Signature

Please return to: Financial Times Conference,  
PO Box 3451, London SW12 3PH. Tel: 081 673 9000  
Fax: 081 673 1335.  
International Infrastructure Finance - 5660 + Vat

Name Mr/Mrs/Miss/Ms/Other

Job Title

Company

Address

Post Code

Tel

Fax

This information you provide will be held by us and may be used to keep you informed of FT products and services by other selected quality companies for marketing purposes.

This announcement appears as a matter of record only.



Siebe plc

US\$ 500,000,000

Revolving Credit Facility

## Arrangers

NatWest Markets S.G. Warburg &amp; Co. Ltd.

## Senior Lead Managers

The Bank of Tokyo, Ltd.  
Bayerische Landesbank Girozentrale,  
Credit Suisse  
The Fuji Bank, Limited  
Mellon Bank N.A.  
National Westminster Bank plc  
Standard Chartered Bank  
Westdeutsche Landesbank Girozentrale,  
London Branch

Barclays Bank PLC  
Commerzbank Aktiengesellschaft,  
The First National Bank of Boston  
Lloyds Bank plc  
Morgan Guaranty Trust Company of New York  
Nomura Bank International plc  
The Sumitomo Bank, Limited

## Lead Managers

Bankers Trust Company  
The Chuo Trust and Banking Company, Limited  
Midland Bank plc  
The Toronto-Dominion Bank

Chemical Bank  
Den Danske Bank  
The Mitsubishi Bank, Ltd.

## Managers

ABN AMRO Bank N.V.,  
Banca Nazionale del Lavoro SpA,  
Société Générale

Banca Commerciale Italiana SpA,  
Creditanstalt-Bankverein  
S.G. Warburg & Co. Ltd.

## Agent

S.G. Warburg &amp; Co. Ltd.

July 1994











هنگام ازدواج



**FT MANAGED FUNDS SERVICE**

● FT Cityline Unit Trust Prices: dial 0801 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-573 4378.

## MANAGEMENT SERVICES

[illegible]

## OFFSHORE AND OVERSEAS

**BERMUDA (SIB RECOGNISED)**

**Fidelity Money Funds**  
 Fidelity Fund, Fidelity, Boston  
 MA: Paul Adams 617 414 1811      Jarrag: 617 414 7111

**GUERNSEY (REGULATED) ("G")**

	Old Price	New Price	Yield Gross
AMZ Magnet Co (Guernsey) Ltd			
Example 11a Ltd for Ptd. 1612.70	13.47	-	14
Apollis Investment Management Ltd			

**GUERNSEY (SIB RECOGNISED)**

**Int'l** **Comm'** **Mid** **Other** **Yield**  
**Chgs** **Price** **Price** **Price** **G's L**

**AIS Investment Managers (Guernsey) Ltd**  
PO Box 225, St Peter Port, Guernsey GY 98T 7100  
**AIS Overseas Fund Ltd**

**IRELAND (REGULATED)(<sup>20</sup>)**

	Net Price	Offer Price	Yield Gross	
<b>AIS Fund Management Ltd</b>				
Emerging Market Growth Fd Plc...	\$2.005		-	5
Pacific 21st Century.....	\$2.002		-	5

**JERSEY** (SIB RECOGNISED)

**AJB Fund Managers (CI) Ltd**  
PO Box 408 St Heller Jersey  
AJB Structured Currency Fund Limited  
One Mount Commerce, F1, E, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837,

Australian Ed Inc.	\$1.288	1.288	1.300	0.0
Global Income Fund	0.0257	0.0257	0.026	1.6
Global Resources	0.0216	0.0216	0.0209	0.0
Common Stocks				

City Franchise Income	\$10.15	18.14	4.2
Seating	12	25.45	4.1
US Dollar	4	33.63	3.1
Antischwark	12	65.62	3.7
Van	1	4517.25	1.5
Stamp Duty	1	15.66	1.5
Stamp Duty	1	27.73	1.5
Bank Costs			

## IRELAND (SIB RECOGNISED)

**BT Fund Managers (Ireland) Ltd**  
60 Newcourt Street, Dublin 2. 010 3631 7900

**JERSEY (REGULATED)(\*\*)**

	1994 Price	1995 Price	1996 Price
<b>Barclays Intl Funds</b>			
<b>Asian Sustainable Funds</b>			
China	28.632	8.066	0.1
Hong Kong	22.400	26.210	0.1

**ISLE OF MAN** (SIB RECOGNIZED)

**AXA Equity & Law Intl Fund Mgrs**  
 Victory Hld, Prospect Hld, Douglas Intl 0624  
 Total Income Fd \_\_\_\_\_ 81 95.21 95.21 100.00 5  
 Affiliated Securities Intl Fund Mgrs 718000E

**ISLE OF MAN (REGULATED)**

	Mid Price	Offer Price	Yield Range
<b>ATC Fund Management Ltd</b>			
ATC International Dollar	\$12.18		--
ATC International Sterling	\$12.36		--

## OFFSHORE INSURANCES

	Bid Price	Offer Price	Yield Gross	% T
<b>AXA Equity &amp; Life Ins Life Assoc Co</b>				
Victory Hnd, Prospect Hld, Dragon, 10M			0024	57
Distributing Fund-Delivered	47.8	-	-	83



**FT MANAGED FUNDS SERVICE**

● FT Cityline Unit Trust Prices: dial 0881 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-573 4378.

[illegible]

**MARRIED FUNDS NOTED**  
Police are in contact with officers stationed just outside of the city of Detroit to determine if any of the 100,000 U.S. citizens who have been advised to leave the country are in the area. The police are also looking for any of the 100,000 U.S. citizens who have been advised to leave the country. The police are also looking for any of the 100,000 U.S. citizens who have been advised to leave the country.



## CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND									
Aug 28	Closing mid-point	Change on day	Settlement	Day's high	Day's low	One month	Three months	One year	Bank of England
Europe									
Austria (Sch)	16.9900	+0.0003	924	056	16.9936	16.9701	16.9847	0.3	16.9828
Belgium (Bfr)	40.8200	+0.0003	924	056	40.8236	40.8001	40.8147	0.3	40.8128
Denmark (DKr)	8.2500	+0.0003	924	056	8.2536	8.2301	8.2447	0.3	8.2428
France (FFr)	166.3500	+0.0003	924	056	166.3536	166.3301	166.3447	0.3	166.3428
Germany (DM)	1.936000	+0.0003	924	056	1.936360	1.936101	1.936247	0.3	1.936228
Greece (Dr)	240.7500	+0.0003	924	056	240.7536	240.7301	240.7447	0.3	240.7428
Italy (Lit)	366.5000	+0.0003	924	056	366.5036	366.4801	366.4947	0.3	366.4928
Netherlands (Gld)	1.540000	+0.0003	924	056	1.540360	1.540101	1.540247	0.3	1.540228
Norway (Nkr)	10.470000	+0.0003	924	056	10.470360	10.470101	10.470247	0.3	10.470228
Portugal (Esc)	200.4800	+0.0003	924	056	200.4836	200.4601	200.4747	0.3	200.4728
Spain (Ptas)	166.3500	+0.0003	924	056	166.3536	166.3301	166.3447	0.3	166.3428
Sweden (Skr)	11.480000	+0.0003	924	056	11.480360	11.480101	11.480247	0.3	11.480228
Switzerland (Sfr)	2.001500	+0.0003	924	056	2.001860	2.001601	2.001747	0.3	2.001728
UK	1.000000	+0.0003	924	056	1.000360	1.000101	1.000247	0.3	1.000228
USA	1.645000	+0.0003	924	056	1.645360	1.645101	1.645247	0.3	1.645228
South Africa (Rand)	1.540000	+0.0003	924	056	1.540360	1.540101	1.540247	0.3	1.540228
Argentina (Peso)	1.541700	+0.0003	924	056	1.542060	1.541801	1.541947	0.3	1.541928
Brazil (R)	1.393000	+0.0003	924	056	1.393360	1.393101	1.393247	0.3	1.393228
Canada (Cdn)	1.212000	+0.0003	924	056	1.212360	1.212101	1.212247	0.3	1.212228
Mexico (New Pes)	1.518000	+0.0003	924	056	1.518360	1.518101	1.518247	0.3	1.518228
USA	1.542000	+0.0003	924	056	1.542360	1.542101	1.542247	0.3	1.542228
Pacific/Asia									
Australia (Aust)	1.541700	+0.0003	924	056	1.542060	1.541801	1.541947	0.3	1.541928
Hong Kong (Hk)	1.171700	+0.0003	924	056	1.172060	1.171801	1.171947	0.3	1.171928
India (Rupee)	48.371000	+0.0003	924	056	48.371360	48.371101	48.371247	0.3	48.371228
Japan (Yen)	154.880000	+0.0003	924	056	154.880360	154.880101	154.880247	0.3	154.880228
Malaysia (Mal)	2.355000	+0.0003	924	056	2.355360	2.355101	2.355247	0.3	2.355228
New Zealand (NZD)	1.541700	+0.0003	924	056	1.542060	1.541801	1.541947	0.3	1.541928
Philippines (P)	40.820000	+0.0003	924	056	40.823600	40.823101	40.823247	0.3	40.823228
Saudi Arabia (R)	40.820000	+0.0003	924	056	40.823600	40.823101	40.823247	0.3	40.823228
Singapore (S)	2.355000	+0.0003	924	056	2.355360	2.355101	2.355247	0.3	2.355228
S Africa (Com)	1.541700	+0.0003	924	056	1.542060	1.541801	1.541947	0.3	1.541928
S Africa (Fin)	1.541700	+0.0003	924	056	1.542060	1.541801	1.541947	0.3	1.541928
South Korea (Won)	1.541700	+0.0003	924	056	1.542060	1.541801	1.541947	0.3	1.541928
Taiwan (T)	1.541700	+0.0003	924	056	1.542060	1.541801	1.541947	0.3	1.541928
Thailand (Baht)	1.541700	+0.0003	924	056	1.542060	1.541801	1.541947	0.3	1.541928

Bank of England rate for Aug 28. Bid/offer spread shown only for the first three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling futures are quoted by the Bank of England. Base average 1993 = 100.00. Other and bid/offer rates in the table are the Bank of England's best bid/offer rates. Some values are rounded by the FT.

## CROSS RATES AND DERIVATIVES

## EXCHANGE CROSS RATES

	Aug 28	BFY	DWG	FF3	DMI	RE	L	F4
Belgium	(BF) 10.0	19.22	16.83	4.861	2.044	4.821	5.41	
Denmark	(DF) 82.04	10	8.652	2.384	1.063	2581	2.64	
France	(BF) 11.58	19.22	16.83	4.861	2.044	4.821	5.41	
Germany	(DF) 20.61	3.981	4.328	1	0.421	1.015	1.12	1.12
Ireland	(DF) 48.93	0.940	0.138	2.074	1	2408	2.58	
Italy	(DF) 18.38	1.938	0.333	0.036	0.375	1.010	0.11	0.11
Netherlands	(DF) 18.38	1.938	0.333	0.036	0.375	1.010	0.11	0.11
Norway	(NF) 48.94	0.941	7.805	2.277	0.599	2310	2.57	
Portugal	(DF) 20.17	3.876	3.354	0.978	0.412	6827	1.08	1.08
Spain	(DF) 24.76	7.078	4.115	1.200	0.508	3638	2.83	2.83
Sweden	(DF) 20.61	3.981	4.328	1	0.421	1.015	1.12	1.12
Switzerland	(SF) 24.43	4.695	4.082	1.185	0.499	1202	3.33	3.33
UK	(F) 48.92	0.935	8.250	2.407	1.014	2424	2.70	2.70
Canada	(CF) 23.40	4.516	8.060	1.740	0.494	1143	2.92	2.92
USA	(F) 18.18	8.19	5.15	1.36	0.56	1894	1.63	1.63
Japan	(F) 31.10	62.18	6.33	15.57	6.599	15798	1.45	1.45
South Korea	(F) 38.23	7.538	6.922	1.803	0.802	1907	2.18	2.18



**INVESTMENT TRUSTS - CONT.**

LEISURE & Hobbies







**4 pm close August 26**

**BE OUR GUEST.**

SAS  
**Royal Hotel**  
BRUSSELS

When you stay with us in BRUSSELS stay in touch - with your complimentary copy of the

**FINANCIAL TIMES**

**Continued on next page**

# BE OUR GUEST.

**SAS**  
*Royal Hotel*

When you stay with us in  
**BRUSSELS**  
stay in touch - with  
your complimentary copy  
of the



**FINANCIAL TIMES**  
BUSINESS & FINANCE NEWSPAPER

Have you

... ..







## FT GUIDE TO THE WEEK

29

MONDAY

## Abiola trial reopens



The treason trial of Abacha Abiola (left), Nigeria's jailed opposition leader, re-opens at the high court in Abuja. The defence has challenged the court's jurisdiction and criticism of the judge at previous hearings led to his withdrawal. Abiola was arrested in June after declaring himself president on the anniversary of his 1993 election victory.

**Ron Brown**, US Commerce Secretary, visits Beijing to sign framework agreements reached by the US-China Joint Commission on Commerce and Trade.

He is the most senior US official to visit Beijing since the US renewed its Most Favoured Nation trade status and will be closely watched for public comments on human rights.

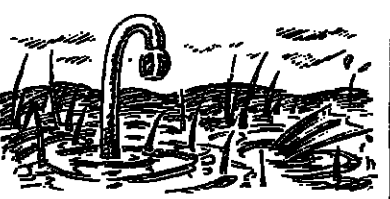
**European talks:** The assembly of European regions opens a five-day seminar on federalism and regionalism at the Palais de Europe in Strasbourg. The assembly consists of 45 different regions in Europe, including representatives of central and eastern Europe.

**Quebec premier** Daniel Johnson and opposition Parti Quebecois leader, Jacques Parizeau, meet in a TV debate which will give clues to the winner of the September 12 provincial election.

**The Johannesburg listing** of New Africa Investments Limited (Nail) marks a watershed for black business in South Africa. Nail owns 30 per cent of MetLife, South Africa's fifth largest life insurer.

**The 12th Olympic Congress** opens in Paris co-ordinated by the International Olympic Committee. A decision is likely to be made to add the sports of triathlon and taekwondo in time for the 2000 Games in Sydney.

**A bog in Llanwrtyd Wells**, Wales, is the venue for the World Bog Snorkelling Championships. The UK Bank Holiday has also been declared Naturlism Day with events taking place at 10 locations across the country.



**Tennis:** The US Open begins at Flushing Meadows, New York.

**Holidays:** UK (Bank Holiday), Gibraltar (Bank Holiday), Hong Kong (Liberation Day).

30

TUESDAY

## Rebel's hostage deadline

Outlawed Khmer Rouge guerrillas say they will release three Western hostages held in southern Cambodia as soon as the government army halts attacks on the rebel base. The Khmer Rouge has warned Australia, France and the UK to renounce military aid to Phnom Penh by today if they hope to end the hostage stand-off.

**The Eminent Persons Group**, which advises the Asia Pacific Economic Co-operation forum, will present its report for the November meeting of Apec leaders to Indonesia's President Suharto, the chairman. The EPG was asked at the Seattle meeting last year to consider a "blueprint" for free trade in the Asia-Pacific region, and its recommendations will be outlined.

**Georgia's breakaway province** of Abkhazia is the subject of UN-mediated talks in Geneva (to Aug 31). The UN refugee agency hopes to secure a long-term political settlement which would facilitate the return to Abkhazia of up to a quarter of a million refugees who fled the fighting a year ago.

**Japan's prime minister**, Tomichi Murayama, returns from Singapore at the end of an eight-day, four-nation tour of south-east Asia which stressed the region's importance for Japan as an investment location.

**Egyptian foreign minister** Amr Moussa visits Israel for talks aimed at re-activating the peace process.

**Motor racing appeals:** An appeal by Michael Schumacher, Benetton's championship driver, against a two-race ban and six-points deduction will be heard in Paris today. The penalties were imposed by the sport's governing body, the FIA, after the 25-year-old German racer ignored a 'black flag' in the British Grand Prix.



**Cleared for colleges:** All applicants to UK universities who were given conditional offers before A-level results were published should know whether they have won a place at the universities they applied to by today - barring postal delays. A brand new clearing system, the Universities and Colleges Admissions Service, is in operation and it received universities' final decisions at the end of last week.

**UK commuters** face further rail disruption from noon today when RMT union signal-workers start their first 48-hour strike.

**Holidays:** Turkey (Victory Day).

31

WEDNESDAY

## Russian troops leave Berlin

The remaining troops from the former Soviet Union prepare to leave Berlin. Russian president Boris Yeltsin will accompany President Roman Herzog and Chancellor Helmut Kohl of Germany during festivities to mark the departure.

**Baltic and Nordic foreign ministers** meet in the Lithuanian town of Palanga, to coincide with the withdrawal of Soviet armed troops from Estonia, Latvia and Lithuania. This is the second informal meeting between the two groups.

**Dail recalled:** The Irish parliament (Dail) is to be recalled from summer recess for a three-day debate on the recently-published results of the inquiry into the Irish beef industry. Prime minister Albert Reynolds (left) is expected to come under opposition attack for decisions he made as industry minister in the 1980s.

**Swan Hunter's** sole prospective buyer has until today to start paying the wages of the UK shipyard's 100-strong design and technical team. If French-owned Soffia/Constructions Mecaniques de Normandie does not start paying, the team will be made redundant, ending Swan's ability to tender for more work and prospects of a going-concern sale.

**The Bosnian Serb assembly** is due to meet again in Pale following last weekend's referendum on the latest international peace plan.

**The British Medical Association** holds its national conference in London. The meeting will discuss local performance related pay for doctors in the National Health Service.

**Populations:** The British Society for Population Studies holds its annual conference in Durham. It will discuss issues such as single mothers, the national survey of sexual attitudes and lifestyles, and global population growth. The International Conference on Population and Development takes place in Cairo next week.

**Multinationals** control one-third of world output and account for nearly 10 per cent of all non-farm jobs worldwide, according to the annual World Investment Report released today.

**Chess:** The \$100,000 Intel Grand Prix starts in London (to Sept 3). Rivals for Garry Kasparov and Nigel Short in a 16-player speed chess knock-out include Visly Anand and Vladimir Kramnik.

**Holidays:** Malaysia (National Day), Trinidad and Tobago (Independence Day).



Cuba and the US are to hold talks on migration this week in New York, but will not discuss the trade embargo or the US presence at Guantanamo Bay

1

THURSDAY

## Body Shop under fire

**Business Ethics**, a US magazine, is expected to criticise the Body Shop's commitment to environmental causes and its "trade not aid" policy in an article published today. Last Saturday, the cosmetics group published a 32-page rebuttal of allegations thought to be included in the article.

**Bundesbank** Today's council meeting is widely seen as the last-but-one chance for a further cut in the discount rate before the German election on October 16.

**Panama's president-elect**, Ernesto Perez Balladarez, 47, of the Democratic Revolutionary party, takes office in Panama City after a three-month transition period of government.

**Israel starts handing over powers** to the Palestinians in the occupied West Bank. Areas of responsibility to be transferred this week include education, tourism, taxation, social affairs and health.

**Hungary and the UK** hold joint military exercises in Hungary within the framework of the US-sponsored Partnership for Peace programme (to Sept 25).

**Libya commemorates** the 25th anniversary of Colonel Gaddafi's seizure of power.

**Holidays:** Central African Republic (National holiday), Libya (National Day).

2

FRIDAY

## Chinese leader in Moscow

**Jiang Zemin**, China's president, arrives in Moscow for a five-day visit. It is the first visit by a Chinese head of state since the 1950s and follows President Yeltsin's earlier visit to Beijing.

The Chinese leader will sign an agreement with Russia to retarget strategic nuclear missiles aimed at each others' countries and discuss how to formalise the western section of their mutual border.

**Troop movements:** US and Russian troops conduct joint peacekeeping exercises in Totskoye, Russia, that may lead to real operations in the future. About 250 soldiers from each country will take part (to Sept 10).

**Belgium remembers:** The Duke of York arrives in Belgium to launch celebrations of the 50th anniversary of the country's liberation in the second world war.

**Ron Brown**, US Commerce Secretary, visits Hong Kong, where he is expected to deliver an address at the American Chamber of Commerce. He is accompanied by a delegation of 24 CEOs and senior officials from the National Security and Economic Councils, the State Department, the US Export-Import Bank and the US Trade Representative's office.

**The Deauville festival** of American film starts. Traditionalists in the French cinema industry have criticised it for encouraging "foreign" films.

3-4

WEEKEND

## Kansai airport opens

**Kansai International Airport**, Japan's first 24-hour airport and the country's second main airport, opens in Osaka on Sunday. Built on a man-made island, passengers will be able to transfer directly to flights to 22 cities throughout Japan.

KIA, which is only in its first stage, has already cost ¥1.5tr (\$15bn).

**Japanese prime minister** Tomiichi Murayama's Social Democratic party holds a convention in Tokyo on Saturday. Delegates will be asked to ratify sweeping policy changes adopted by the leadership when it entered a coalition with two, more conservative parties in June.

**The Edinburgh Festival** finishes on Sunday, after four weeks of cultural offerings, with Elgar's Dream of Gerontius performed by the Royal Scottish National Orchestra and conducted by Sir Charles Mackerras.

**Chess:** The Interpolis knock-out chess tournament starts in Tilburg, Holland, on Saturday (to Sept 25).

**Crickets:** Worcestershire play Warwickshire in the final of the Nat West trophy on Saturday.

**Athletics:** Grand Prix final in Paris on Saturday.

Compiled by Shelley Wood and Ian Holdsworth. Fax: (+44) (0)71 573 3194.

## ECONOMIC DIARY

## Other economic news

**Wednesday:** The purchasing managers' index for the UK in August will be published by the Chartered Institute of Purchasing and Supply. While the overall level of the index is likely to indicate continuing economic strength, analysts will be most closely watching the prices component for further signs of inflationary pressures.

**Thursday:** The Nationwide and Halifax house price indices have often diverged in recent months, but neither shows much indication of a housing boom. Today's Nationwide index for August is likely to show still subdued price increases, after July's 2.1 per cent annual rise.

**Friday:** In the US, the non-farm payroll numbers are likely to be the key economic statistic of the week. After strong consumer confidence and low initial claims figures, Morgan Grenfell is expecting a 250,000 rise in employment in August, compared with 259,000 in July.

In the UK, official reserves in August are expected to have declined by around \$25m, but this statistic has lost much of its significance following Britain's departure from the exchange rate mechanism.

## Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	July personal income	0.5%	0.1%	Thur	US	Aug Nat Ass Purch Managers index	57.5%	57.8%
Aug 29	US	July personal consumer expend	0.5%	0.4%	Sept 1	US	July construction spending	0.4%	0.2%
	Japan	July retail sales**	-0.3%	-1.9%		US	M2, w/e Aug 22	\$4bn	\$8.1bn
	Japan	Aug w/e price index, 2h/10 days	0.1%	0.1%		US	Initial claims, w/e Aug 27	325,000	322,000
	Germany	July import prices*	0.2%	0.3%		US	State benefits, w/e Aug 20	-	2.66m
	Germany	July import prices**	0.4%	0.9%		Japan	Aug auto sales**	-	2.4%
	Aus/Ita	July current account	-\$51.5bn	-\$51.4bn		Japan	Aug forex reserves*	-	2%
Tues	US	July new home sales	620,000	591,000	Fri	US	Aug non-farm payrolls	233,000	236,000
Aug 30	US	Aug consumer confidence	92.0	91.6	Sept 2	US	Aug manufacturing payrolls	12,000	6,000
	US	Johnson Redbook, w/e Aug 27	-	-1.5%		US	Aug hourly earnings	0.2%	0.4%
	Japan	July unemployment rate	2.9%	2.9%		US	Aug average workweek	-	34.6
	Japan	July job offers/seekers ratio	0.83	0.83		US	Aug unemployment rate, civilian	6.1%	6.1%
Wed	US	July leading indicators	-0.1%	0.2%		Japan	July current a/o - IMF	\$11.9bn	\$11.1bn
Aug 31	US	July factory orders	-2%	0.8%		Japan	July trade balance - IMF	-	\$13.1bn
	US	July factory inventories	-	0.1%		Japan	July foreign bond investment	-	\$9.2bn
	US	Aug agricultural prices	-	-2.9%		Japan	July Bank of Japan corporate*	-	0.4%
	Japan	July construction orders**	-	-2.9%		UK	Aug official reserves	-\$25m	-\$40m
	Japan	July housing starts**	7.6%	10.8%					
	Japan	July construction starts**	-	1.7%					
	Japan	July industrial production†	-2%	2.7%					
	Japan	July shipments	-	4.8%					
	France	July unemployment rate	12.6%	12.6%					
	France	July job seekers††	-	-0.4%					
	Canada	Jun real gross dom prod, factor cost	0.4%	0.3%					
	Aus/Ita	2nd qtr gross domestic prod (A/T)	0.6%	1.9%					

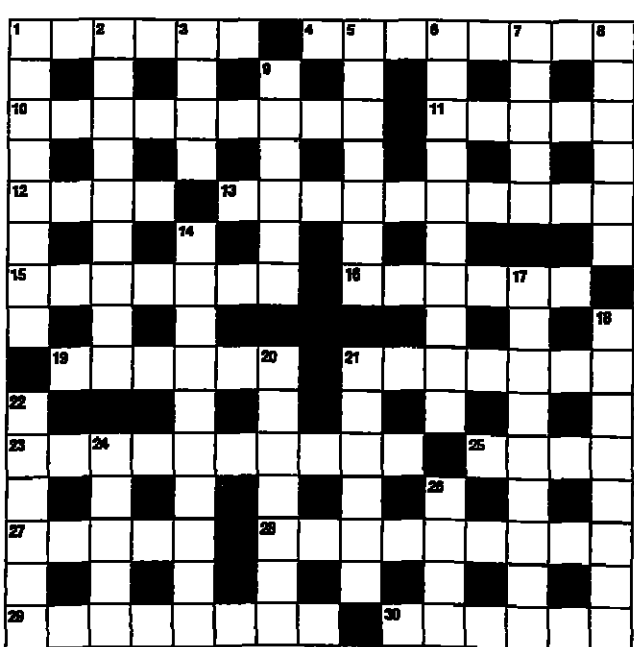
\*month on month, \*\*year on year, †seasonally adjusted Statistics, courtesy MMS International.

## ACROSS

- Watch the cutter go up and down (9)
- Stage for a breakfast ending (9)
- It records the steps needed to get roof in safe keeping (9)
- Principle of having a vote on the island (5)
- Study a revolutionary setting (4)
- Start of the weekend is interminable without companionship (10)
- To round off in pompous fashion (7)
- One after the other encountered in holding hereditary code back (9)
- Terror at having run into a scrap (6)
- Looks round Mandela's party meetings for spiritual guidance (7)
- Mother won a skirmish with her rival (5,5)
- Lead off as a prelude to holding hands (4)
- Part of the column showed way to bring back music (6)
- Essential equipment for down to earth person (9)
- Prize and cut away to make a hole (8)
- A cheer for Henry! (6)

## DOWN

- A better abbot (8)
- Try to evade run round for another spell (9)
- Came out top (4)
- Up-to-date power supply (7)
- Complete refutation of request for an apartment (4,6)
- Love to exist on fruit (5)
- One who believes holding the mark will make the outlook clearer (6)
- Fixed one's gaze on top journalist (8)
- Somehow gaunter after prison, but still a destructive force (10)
- Former supervisor, we're told, at national treasury (9)
- Additional message - change your leading instrument (8)
- He's always swearing to bring back report - but there's nothing in it (7)
- Throwing light on why society will lag behind (6)
- To back Tom gives an even chance (4,2)
- Fisher who worked the Rhone (5)
- Call back some speech on democracy (4)

MONDAY PRIZE CROSSWORD  
No.8,544 Set by ADAMANT

A prize of a Pelikan New Classic 300 fountain pen for the first correct solution opened and five runner-up prizes of 136 Pelikan vouchers will be awarded. Solutions by Thursday September 4, marked Monday Crossword 8,544 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday September 12.

Name: \_\_\_\_\_  
Address: \_\_\_\_\_

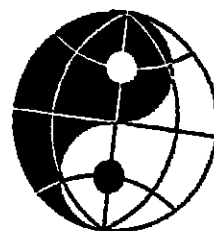
Winners 8,532

Mrs J. Whelan, Godalming, Surrey  
J.R. Adamson, Rayleigh, Essex  
R.B. Bell, West Hailam, Derbyshire  
Alison Emmott, Les Moutiaux, Alderney, Channel Islands  
M.E. Gill, Cobham, Surrey  
R.W. Masters, Notts

Solution 8,532

SPACED PROGRAMME  
A A O U R R O N  
L I N E R S U B S E I T E D  
W E A M I U E U  
A N G E L I C S A M P L E R  
V Y H A E  
S H R U G A L B A T R O S S  
S I R J O L O  
D I C T A T R I X C A T C H  
I P O N A  
B E T W E E N F A C T U A L  
A R S A P H M Y  
S P A G H E T T I A M P L E  
T H E S A N G U I N E A  
C A P I T A L L E T T E R S

## We Work With Both Hemispheres.



To be a man is to feel that through one's own contribution one helps to build the world.

SMELT has been helping build and unite the world for more than 30 years as one of the leading international engineering contractors.

SMELT offers a full range of services required in turnkey construction of a project in the areas of:

- Process industry
- Manufacturing industry
- Food processing and refrigeration
- Medical projects
- Environmental engineering
- Storage and transport
- Power generation
- Office buildings and tourist facilities

The business philosophy of completing projects of the highest quality, on time, within budget and to the clients' satisfaction has resulted in more than 1500 projects carried out at home and abroad.

SMELT

Dunajska 160 61113 LJUBLJANA Tel. h.c.: +386 61 168 12 51

Of breaking and jobbing the Pelikan's bond. See how carefully he puts your word onto bond.

Pelikan

JOTTER PAD